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March 24, 1994

New Recordation No.

INTERSTATE COMMERCE COMMISSION

0100162075

0100162075

18750

RECORDATION NO. FILED 1425

MAR 30 1994 -3 25 PM

Dear Mr. Strickland:

On behalf of The Penn Insurance and Annuity Company, I submit for filing and recording under 49 U.S.C. § 11303(a) and the regulations promulgated thereunder, executed counterparts of a primary document, not previously recorded, entitled Loan and Security Agreement ("Agreement"), dated as of March 24, 1994.

The parties to the enclosed Agreement are:

The Penn Insurance and Annuity Company — LENDER
530 Walnut Street
Philadelphia, PA 19172

Railcar, Ltd. — DEBTOR
Suite 315
1819 Peachtree Road, N.E.
Atlanta, GA 30309-1847

The said Agreement, among other things acts to create a security interest in the equipment listed in Exhibit A thereto by the Debtor to the Lender.

The equipment covered by the instant Agreement is as identified in Exhibit A thereto.

A short summary of the Agreement to appear in the ICC Index is as follows:

"Covers 150 woodchip hopper cars, WVCX 3000-3149."

Enclosed is a check in the amount of eighteen dollars (\$18.00) in payment of the filing fee.

Once the filing has been made, please return to bearer the stamped counterpart(s) of the document not required for filing purposes, together with the fee receipt, the letter from the ICC acknowledging the filing, and the two extra copies of this letter of transmittal.

Very truly yours,

Allen H. Harrison, Jr.
Allen H. Harrison, Jr.
Attorney for The Penn Insurance and Annuity
Company or the purpose of this filing.

Received by Mr. Strickland

Honorable Sidney L. Strickland, Jr.
Secretary
Interstate Commerce Commission
Washington, D.C. 20423
Enclosures
BY HAND

8375 -020

Interstate Commerce Commission
Washington, D.C. 20423

3/30/94

OFFICE OF THE SECRETARY

Allen H Harrison Jr.
Donelan Cleary Wood & Maser
1275 K St. N.W. Suite 850
Washington, D.C. 20005-4078

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions
of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303,
on 3/30/94 at 3:25pm, and assigned
recordation number(s). 15793-C, 18695-A 18749 & 18750

Sincerely yours,

Secretary
SIDNEY L. STRICKLAND, JR.

Enclosure(s)

RECORDATION NO. 18750 FILED 1425

MAR 30 1994 - 3 25 PM

INTERSTATE COMMERCE COMMISSION

LOAN AND SECURITY AGREEMENT

between

RAILCAR, LTD.

and

THE PENN INSURANCE AND ANNUITY COMPANY

March 29, 1994

(Westvaco Lease)

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LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT ("Agreement") is entered into this 29th day of March, 1994 between RAILCAR, LTD., a Georgia corporation (the "Debtor"), and THE PENN INSURANCE AND ANNUITY COMPANY, a Delaware corporation (the "Lender").

W I T N E S S E T H:

WHEREAS, the Debtor is the owner of the Equipment which is currently the subject of the Lease with the Lessee (as such terms are hereinafter defined); and

WHEREAS, the Debtor proposes to borrow Three Million Six Hundred Twenty-Four Thousand Nine Hundred Four and 07/100 Dollars (\$3,624,904.07) from the Lender by issuing a note on a nonrecourse basis to the Lender, and to secure its obligations under the note by a grant hereunder to the Lender of a security interest in the Equipment and the Lease;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants contained herein, the parties hereto agree as follows:

Section 1. DEFINITIONS.

Unless the context otherwise requires, for all purposes of this Agreement the following terms shall have the following meanings (such definitions to be equally applicable to both the singular and plural forms of the terms defined):

"Basic Rent" shall mean monthly rental as provided for in the Lease.

"Business Day" shall have the meaning specified in Section 9.1 hereof.

"Casualty Occurrence" shall have the meaning specified in Section 5.2 hereof.

"Certificate of Acceptance" shall mean the Certificate of Acceptance issued pursuant to the Lease.

"Closing Date" shall have the meaning specified in Section 2.1 hereof.

"Collateral" shall have the meaning specified in Section 3 hereof.

"Commitment" shall have the meaning specified in Section 2.1 hereof.

"Equipment" shall mean the equipment specified on Exhibit A attached hereto and incorporated herein by this reference.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"Event of Default" shall have the meaning specified in Section 6.1 hereof.

"Excepted Rights in Collateral" shall have the meaning specified in Section 3.3 hereof.

"Financing Agreements" shall mean, collectively, the agreements set forth in Section 2.3(a) hereof.

"Item of Equipment" shall mean each individual item of railroad rolling stock (*i.e.*, each railroad car) within the group of items of railroad rolling stock constituting "Equipment" hereunder.

"Lease" shall mean the Lease Agreement attached hereto as Exhibit B and incorporated herein by this reference.

"Lease Event of Default" shall mean an event of default as defined and set forth in Paragraph 18 of the Lease.

"Lessee" shall mean the lessee under the Lease.

"Loan Value" shall have the meaning specified in Section 5.2 hereof.

"Note" shall mean the secured nonrecourse note executed and delivered hereunder in substantially the form of Exhibit C attached hereto and incorporated herein by this reference.

"Notice and Acknowledgment of Assignment" shall mean the Notice of Acknowledgment of Assignment signed by the Lessee, in substantially the form of Exhibit E attached hereto and incorporated herein by this reference.

Capitalized terms used but not defined herein are used as defined in the Lease.

Section 2. ISSUANCE OF THE NOTES.

2.1. Commitment of the Lender. Subject to the fulfillment of the conditions specified in Section 2.3 hereof, the Lender shall make a secured loan to the Debtor on _____, 1994 (the "Closing Date"), evidenced by the Note in the principal amount of Three Million Six Hundred Twenty-Four Thousand Nine Hundred Four and 07/100 Dollars (\$3,624,904.07) (the "Commitment") and payable to the Lender. The Note shall be dated such Closing Date, shall bear interest at the rate of six and four one-hundredths percent (6.04%) per annum and shall be payable as provided in the Note.

2.2. Closing. The closing shall take place on the Closing Date at the offices of Lender's counsel, Drinker Biddle & Reath, 1100 P&B Building, Broad and Chestnut Streets, Philadelphia, Pennsylvania 19107. On the Closing Date, the Lender shall make available to the Debtor, or its order (provided adequate instructions have been timely furnished to the Lender), in immediately available funds the full amount of the Commitment. Upon receipt of the secured loan made on the Closing Date, the Debtor will simultaneously deliver to the Lender as provided in Section 2.1 hereof the Note in the principal amount equal to the Commitment.

2.3. Conditions Precedent to the Closing Date. The obligation of the Lender to make available its Commitment on the Closing Date shall be subject to fulfillment of the following conditions on or prior to such Closing Date to the satisfaction of the Lender:

(a) Fully executed copies of this Agreement, the Lease and the Note and the Notice of Acknowledgment of Assignment (collectively, the "Financing Agreements") shall have been delivered to the Lender and each such agreement shall be in full force and effect.

(b) The Lease, or a memorandum or short form thereof, this Agreement and the Notice and Acknowledgment of Assignment shall have been duly filed and recorded contemporaneously in conformity with 49 U.S.C. Section 11303 of the Interstate Commerce Act and in such other places within the United States as may be reasonably requested by the Lender as necessary for the protection of the title of the Debtor to, or the security interest of the Lender in, the Equipment.

(c) The Lender shall have received a signed opinion, dated the Closing Date, of (i) legal counsel for the Debtor, Cushing & Morris, Suite 2323, 229 Peachtree Street, Atlanta, Georgia, in substantially the form set forth in Exhibit D attached hereto and incorporated herein by this reference, and (ii) its legal counsel in Philadelphia and special Interstate Commerce Commission counsel as to the filing at the Interstate Commerce Commission, in form and substance reasonably satisfactory to it.

(d) The Lender shall have received the Note to be issued to the Lender.

(e) All searches deemed necessary or appropriate by Lender and its legal counsel shall have been completed, and it shall be established that the Debtor has good title to the Equipment, the Lease and the payments under the Lease, free and clear of all liens, claims and encumbrances. The Lender shall have received confirmation that any further filing and recording reasonably requested by the Lender, in addition to the Lease, or memorandum or short form thereof, this Agreement and the Notice and Acknowledgment of Assignment, in conformity with 49 U.S.C. Section 11303 of the Interstate Commerce Act and any other applicable laws shall have been duly effected to protect the title of the Debtor to, or the

security interest of the Lender in, the Equipment and the Lease, and that all taxes, fees and other charges in connection therewith have been paid, or arrangements satisfactory to Lender and its legal counsel have been made for such filing and payment.

(f) The Lender shall have received the certificates of insurance or self insurance that the Lessee is required to provide pursuant to the Lease naming the Lender as additional insured and loss payee, as the case may be.

(g) The Lender shall have received certified copies of the organizational documents and the appropriate corporate proceedings of the board of directors of the Debtor and a certified copy of the By-laws of the Lessee with respect to the authorization of the Financing Agreements and the other instruments contemplated herein and therein and with respect to the execution, delivery and performance thereof by the respective party and appropriate certificates showing the incumbency and the specimen signatures of the officers of the Debtor and the Lessee executing the agreements and instruments referred to herein, each such certificate to be dated the Closing Date.

(h) The Lender shall have received copies of the executed Certificates of Acceptance with respect to the Equipment as contemplated by the Lease.

(i) The representations and warranties of the Debtor contained herein, of the Lessee contained in the Notice and Acknowledgment of Assignment and of each such party in any certificate delivered pursuant thereto and hereto shall be true and correct on and as of each Closing Date with the same effect as though made on and as of the Closing Date; on the Closing Date there shall be (i) no default, or event which, but for the lapse of time or the giving of notice (or both), would be such a default, hereunder or under the Lease, (ii) no event giving rise to the payment of a casualty loss pursuant to the Lease, or the occurrence of any event which, but for the lapse of time or the giving of notice (or both), would give rise to such payment, except to the extent that, in any such case, the Commitment shall be reduced in proportion to the Items of Equipment which suffer such a casualty loss (the "Casualty Equipment"), and the Casualty Equipment will be excluded for all purposes under this Agreement (provided, however, if a substantial number of Items of Equipment suffer such a casualty loss, the obligation of Lender to fund hereunder shall be at Lender's option), and (iii) no material adverse change in the business, assets or financial condition of the Lessee from the financial and business condition of the Lessee reflected in the financial statements dated October 31, 1993 previously submitted to Lender.

(j) The lien and security interest of The CIT Group/Equipment Financing, Inc. ("CIT") in the Lease and the Equipment shall have been released.

(k) The Lender shall have received such evidence of fulfillment of the foregoing conditions of this Section 2.3 including, without limitation, certificates of officers of the Lessee, the Debtor, public officials and others, and legal opinions as the Lender may reasonably require to establish to its satisfaction the fulfillment of such conditions.

2.4. Representations, Warranties and Covenants.

(a) Debtor. The Debtor represents, warrants and covenants to Lender that:

(i) The Debtor is a corporation duly organized, validly existing and in good standing under the laws of the state of Georgia and is duly licensed or qualified to do business as a foreign corporation in good standing in each jurisdiction in which such qualification is required.

(ii) The Debtor has full corporate power and authority to execute, deliver and perform this Agreement, the Lease and the Note.

(iii) This Agreement and the Lease have each been duly authorized, executed and delivered by the Debtor and constitute the legal, valid and binding obligations of the Debtor enforceable against it in accordance with the terms thereof, except to the extent that enforcement may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditor's rights generally and except to the extent that enforcement is subject to general principles of equity (including, but not limited to, all matters of public policy) regardless of whether such enforceability is considered in a proceeding in equity or at law.

(iv) The Note has been duly authorized by the Debtor and when executed and delivered by the Debtor will constitute the legal, valid and binding obligation of the Debtor enforceable against it in accordance with the terms thereof, except to the extent that enforcement may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditor's rights generally and except to the extent that enforcement is subject to general principles of equity (including, but not limited to, all matters of public policy) regardless of whether such enforceability is considered in a proceeding in equity or at law.

(v) No authorization, consent or approval of or by any governmental authority, court or administrative agency is required for the execution, delivery or performance by the Debtor of this Agreement, the Lease or the Note.

(vi) Neither the execution, delivery or performance by the Debtor of this Agreement, the Lease and the Note, nor compliance with the terms and provisions thereof, conflicts or will conflict with or will result in a breach or violation of any of the conditions or provisions of the charter documents, as amended, or

by-laws, as amended, of the Debtor, or, to the knowledge of the Debtor, conflicts with any law, governmental rule or regulation, order, writ, injunction or decree of any court or governmental authority against the Debtor or by which it or any of its properties is bound, or of any indenture, mortgage or contract or other agreement or instrument to which the Debtor is a party or by which it or any of its properties is bound, or constitutes or will constitute a default thereunder or will result in the imposition of any lien upon any of its properties except for the security interest granted herein.

(vii) Neither the Debtor nor, to its knowledge, anyone acting on its behalf, has directly or indirectly offered the Note, or similar securities relating to the Equipment, for sale to, or solicited any offer to acquire any of the same from, anyone other than the Lender.

(viii) The Debtor has acquired its interest in the Equipment for its own account and with its general corporate assets and no funds used to acquire any item of Equipment have been furnished directly or indirectly out of the assets of or in connection with any employee benefit plan (or its related trust) or any separate account in which any employee benefit plan has any interest. As used in this paragraph (viii), the terms "employee benefit plan" and "separate account" shall have the respective meanings assigned to them in ERISA.

(ix) The Debtor has not assigned or pledged, and hereby covenants that it will not assign or pledge, so long as the assignment hereunder shall remain in effect, any of its right, title or interest in the Collateral hereby assigned, to anyone other than the Lender, and that it will not, so long as the assignment hereunder shall remain in effect, except as provided in this Agreement, accept any payment from the Lessee, enter into any agreement amending or supplementing the Lease, execute any waiver or modification of, or consent under, the terms of the Lease, settle or compromise any claim against the Lessee arising under the Lease, or submit or consent to the submission of any dispute, difference or other matter arising under or in respect of the Lease to arbitration thereunder without the prior written consent of the Lender thereto.

(x) There are no actual, pending or, to the knowledge of the Debtor, threatened legal actions, arbitrations, or other proceedings involving the Debtor which might have an adverse effect on the validity or enforceability of this Agreement, the Lease or the Note.

(xi) The Debtor hereby ratifies and confirms the Lease and hereby agrees that it will not take or omit to take any action, the taking or omission of which might result in an alteration or impairment of the Lease, or of any of the rights created by the Lease, or the assignment hereunder.

(xii) The Debtor covenants and agrees to perform, abide by and be governed and restricted by each and all of the terms, provisions, restrictions, covenants and agreements herein set forth, and in the Lease, and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns to the same extent as though each and all of said terms, provisions, restrictions, covenants and agreements were fully set out herein and as though any amendment or supplement to the Lease were fully set out in an amendment or supplement to this Agreement.

(xiii) The Debtor has good and marketable title to the Collateral, free and clear of all liens [other than the security interest in favor of CIT (which will be released and satisfied from the loan proceeds) and the security interest granted herein]; and the Debtor will warrant and defend the title to the Collateral against all claims and demands of all persons whatsoever except persons claiming by, through or under the Lender. The parties intend that Lender shall be entitled to assert or receive the benefit of all rights and claims arising under any third party warranty relating to the Equipment. For so long as Debtor is indebted to Lender hereunder, Debtor hereby assigns to Lender all of the rights and benefits of all warranties of title with respect to the Equipment provided by the person or persons from whom Debtor acquired the Equipment. The Debtor agrees to pay or discharge, at its own cost and expense, any and all claims, liens or charges (other than those arising by, through or under the Lender) on or with respect to the Collateral. The Debtor further agrees to indemnify and hold harmless the Lender from and against any loss, costs or expenses (including legal fees and expenses) incurred, in each case, as a result of the imposition or enforcement of any such claim, lien or charge. Without limiting the foregoing, there is no financing statement or other filed or recorded instrument (other than those in favor of CIT, which will be released and satisfied from the loan proceeds) in which the Debtor is named and which the Debtor has signed, as debtor or mortgagor, now on file at the Interstate Commerce Commission or in any other public office covering any of the Collateral excepting the financing statements or other instruments filed or to be filed in respect of and for the security interest provided for herein. It is expressly understood that the Lease and the operation thereof in accordance with its terms shall not constitute a violation of this Section 2.4(a)(xiii).

(xiv) The Debtor will do, execute, acknowledge and deliver every and all further acts, deeds, conveyances, transfers and assurances (a) for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired and (b) as the Lender reasonably may consider necessary or desirable for giving full effect to this Agreement or for securing the rights of the Lender hereunder. Without limiting the foregoing but in furtherance of the security interest herein granted in the revenues and other sums due and to become due under the Lease, the Debtor covenants and agrees that it will cause the Lessee to be notified of such assignment pursuant to the Lease and

direct the Lessee, upon written notice by the Lender, to make all payments of such revenues and other sums due and to become due under the Lease, other than the Excepted Rights in Collateral, as the Lender may direct.

(xv) The Debtor will not, without the prior written consent of the Lender:

(A) declare a default or exercise the remedies of the Debtor under, or terminate or modify or accept a surrender of, or offer or agree to any termination or modification or surrender of, or take or omit to take any action which might result in an alteration or impairment of, the Lease or by affirmative act consent to the creation or existence of any security interest or other lien to secure the payment of indebtedness upon the rights created by the Lease or any part thereof; or

(B) receive or collect, or permit the receipt or collection of, any payment of Basic Rent under the Lease prior to the date for payment thereof provided for by the Lease or assign, transfer or hypothecate (other than to the Lender hereunder) any Basic Rent then due or to accrue in the future under the Lease in respect of the Equipment; or

(C) sell, mortgage, transfer, assign or hypothecate (other than to the Lender hereunder) its interest in the Equipment or any part thereof or in any amount to be received by it from the use or disposition of the Equipment.

(xvi) The Debtor hereby appoints the Lender and its successors and assigns, the true and lawful attorney of the Debtor, irrevocably and with full power of substitution for and in the name, place and stead of the Debtor, to demand, collect, receive, receipt for, sue for, compound and compromise and give acquittance for, any and all rents, income, profits, moneys and claims for sums which are assigned under Sections 3.1 and 3.2 hereof, to endorse any checks or other instruments or orders in connection therewith, to make all waivers and agreements and to file any claims (including without limitation any proof of claim in any bankruptcy proceeding commenced by or against the Lessee) or take any actions or institute any proceedings with respect thereto which the Lender may deem necessary or advisable in its sole and complete discretion. Anything herein contained to the contrary notwithstanding, (A) this Section 2.4(a)(xvi) shall be effective if and only if there shall have occurred and be continuing an Event of Default, and (B) neither the Lender nor its successors or assigns shall have any obligation or liability by reason of or arising out of this Agreement to make any inquiry as to the nature or sufficiency of, to present or file any claim with respect to, or to take any action to collect or enforce the payment of, any amounts to which it may be entitled at any time by virtue of this Agreement. Upon written request from the Debtor, such request to be made no more frequently than once in any six month period, the Lender shall account to the Debtor for any and all

rents, income, moneys and claims for sums received by the Lender pursuant to the grant of security herein.

(xvii) The Debtor further covenants and agrees that it will give the Lender written notice of any event or condition constituting an Event of Default under the Lease or an event which, but for the lapse of time or the giving of notice or both, would be an Event of Default if the Debtor has actual knowledge of such event or condition.

(xviii) The Debtor will furnish the Lender upon receipt thereof duplicates or copies of all reports, notices, requests, demands, certificates, financial statements and other instruments furnished to the Debtor under the Lease, to the extent that same shall not have been furnished to the Lender pursuant to the Lease.

(xix) The Debtor warrants that it will pay or caused to be paid all appropriate brokers commissions or finders fees in connection with the acquisition of the Equipment and the other transactions contemplated thereby. The Debtor agrees that the Lender has no obligation to pay such fees and it agrees to indemnify the Lender for any and all sums whatsoever required to be expended by the Lender in payment of such claims by brokers provided that the Debtor shall be under no obligation to indemnify the Lender for fees incurred solely as a result of acts by the Lender.

(xx) Within one hundred twenty (120) days after the end of each fiscal year during the term of this Agreement, Debtor shall deliver to Lender the following: (i) audited financial statements of Debtor for the fiscal year just completed and (ii) a certificate signed by an authorized officer of Debtor to the effect that, to the knowledge of Debtor, there is no default under the Lease or event which, but for the lapse of time or the giving of notice or both, would be a default, and, to the knowledge of Debtor, that the Equipment is in satisfactory condition as required under the Lease.

(b) Lender. The Lender represents and warrants that:

(i) The Lender understands that the Note has not been registered under the Securities Act of 1933, as amended, and that the Note must be held indefinitely unless subsequent disposition thereof is registered under said Act or is a transaction exempt from registration.

(ii) The Note to be issued to the Lender pursuant to this Agreement is being acquired by it with its general corporate assets, and no funds used to acquire such Note will be furnished directly or indirectly out of the assets of or in connection with any employee benefit plan (or its related trust) or any separate account in which any employee benefit plan has any interest. As used in this paragraph (ii), the terms "employee benefit plan" and

"separate account" shall have the respective meanings assigned to them in ERISA.

(iii) The Lender is a corporation duly organized, validly existing and in good standing under the laws of the state of Delaware.

(iv) The Lender has full corporate power and authority to execute, deliver and perform this Agreement.

(v) This Agreement has been duly authorized, executed and delivered by the Lender and constitutes the legal, valid and binding obligations of the Lender enforceable against it in accordance with the terms thereof, except to the extent that enforcement may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditor's rights generally and except to the extent that enforcement is subject to general principles of equity (including, but not limited to, all matters of public policy) regardless of whether such enforceability is considered in a proceeding in equity or at law.

(vi) The making of the secured loan to the Debtor evidenced by the Note has been duly authorized by the Lender.

(vii) No authorization, consent or approval of any governmental authority is required for the execution, delivery or performance by the Lender of this Agreement.

Section 3. GRANT OF SECURITY.

In order to secure the prompt payment of the principal and interest on the Note issued hereunder, and to secure the payment of all other indebtedness of the Debtor to the Lender pursuant to this Agreement and the performance and observance of all covenants and conditions in each of the Financing Agreements, and for the benefit of the Lender and any other holders of the Note, the Debtor does hereby convey, warrant, mortgage, pledge, assign and grant to the Lender, its successors and assigns, for the security and benefit of each holder of the Note, a first priority security interest in all of the Debtor's right, title and interest in and to the properties, rights, interests and privileges described in Sections 3.1 and 3.2 hereof whether now owned or hereafter acquired, and all proceeds thereof, subject always to the exceptions, reservations and limitations contained in Section 3.3 hereof (all of which properties, rights, interests and privileges hereby mortgaged, assigned and pledged, or intended so to be, are collectively referred to as the "Collateral").

3.1 Equipment Collateral. Collateral includes the Equipment and such other equipment as may be described from time to time on any amendments or additions to Exhibit A, together with all accessories, equipment, parts and appurtenances appertaining or attached to any of the Equipment, whether now owned or hereafter acquired, and all substitutions, renewals or replacements of, and

additions, improvements, accessions and accumulations to, or proceeds of any and all of said Equipment, together with all the rents, issues, income, profits, avails and other proceeds (including insurance proceeds) therefrom.

3.2 Lease Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor in, to and under the Lease, including any extensions of the term of the Lease, together with all rights, powers, privileges, options and other benefits of the Debtor under the Lease, including, without limitation, but subject always to the exceptions, reservations and limitations contained in Section 3.3 hereof:

(a) the immediate and continuing right to receive and collect all Basic Rent and loss value payments, insurance proceeds, condemnation awards and other payments, proceeds, tenders and security now or hereafter payable to or receivable by the Debtor under said Lease or pursuant thereto;

(b) the right to make all consents, waivers and agreements and to enter into any amendments relating to the Lease or any provision thereof; provided, however, that the Lender shall be under no obligation to take such actions; and

(c) the right to take such action upon the occurrence of an Event of Default under said Lease or an event which with the lapse of time or giving of notice, or both, would constitute an Event of Default under said Lease, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Lease or by law, and to do any and all other things whatsoever which the Debtor or its successors and assigns is or may be entitled to do under the Lease; it being the intent and purpose hereof that, subject always to the exceptions, reservations and limitations contained in Section 3.3 hereof, the assignment and transfer to the Lender of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Lender shall have the right to collect and receive Basic Rent and loss value payments, insurance proceeds, condemnation awards and other payments for application in accordance with the provisions of Sections 5 and 6 hereof at all times during the period from and after the date of this Agreement until the indebtedness hereby secured has been fully paid and discharged.

It is expressly agreed that anything herein contained to the contrary notwithstanding, the Debtor shall remain liable under the Lease to perform all of the obligations assumed by it thereunder, all in accordance with and pursuant to the terms and provisions thereof, and the Lender and the holders of any Note shall have no obligation or liability under the Lease by reason of or arising out of the assignment hereunder, nor shall the Lender or the holder of the Note be required or obligated in any manner to perform or fulfill any obligations of the Debtor under or pursuant to the Lease or, except as herein expressly provided, to make any payment,

or to make any inquiry as to the nature or sufficiency of any payment received by it, or present or file any claim, or take any action to collect or enforce the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

3.3 Excepted Rights in Collateral. There are expressly excepted and reserved from the security interest and operation of this Agreement the following described properties, rights, interests and privileges (hereinafter the "Excepted Rights in Collateral"), and nothing contained herein or in any other agreement shall constitute an assignment of the Excepted Rights in Collateral to the Lender:

(a) all payments of any indemnity under Paragraphs 12 and 14 of the Lease which by the terms of the Lease are payable to the Debtor for its own account (except to the extent such payments are owed to Lender pursuant to the terms of this Agreement on account of monies expended by Lender pursuant to such Paragraphs);

(b) all rights of the Debtor under the Lease to demand, collect, sue for or otherwise obtain all amounts from the Lessee due the Debtor on account of any such indemnities or payments due pursuant to said Paragraphs 12 and 14 of the Lease, except as provided in clause (a) above; and

(c) any insurance proceeds payable under general public liability policies maintained by the Lessee pursuant to Paragraph 12 of the Lease which by the terms of the Lease are payable directly to the Debtor for its own account (except to the extent such proceeds are payable to Lender pursuant to the terms of this Agreement on account of monies expended by Lender pursuant to such Paragraph 12).

Section 4. POSSESSION, USE AND RELEASE OF PROPERTY.

4.1 Possession of Collateral. So long as no Event of Default, or event which but for the lapse of time or giving of notice (or both), would constitute an Event of Default, has occurred and is continuing, the Debtor shall remain in full possession, enjoyment and control of the Equipment and shall be entitled to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto; provided always that the possession, enjoyment, control and use of the Equipment shall at all times be subject to the observance and performance of the terms of this Agreement and the Lease. It is expressly understood that the use and possession of the Equipment by the Lessee under and subject to the Lease shall not constitute a violation of this Section 4.1.

4.2 Release of Property. So long as no Event of Default, or event which but for the lapse of time or giving of notice (or both), would constitute an Event of Default, has occurred and is continuing, the Lender shall execute a release in respect of any Item of Equipment withdrawn, lost or destroyed as referred to in

Paragraph 16 of the Lease upon receipt from the Lessee of written notice designating the Item of Equipment in respect of which the Lease will terminate and receipt by the Lender of the Loan Value with respect thereto, or upon receipt by the Lender of evidence that any withdrawn Item of Equipment has been substituted in accordance with the terms of Paragraph 10 of the Lease. After payment in full of all the indebtedness secured hereby, the Lender shall, upon the written request of the Debtor, execute and deliver to the Debtor such instruments (in due form for filing and recording) as may be reasonably requested and furnished by the Debtor, releasing the Equipment from this Agreement, and terminating and discharging the security interests created hereby or pursuant hereto.

4.3 Protection of Purchaser. No purchaser in good faith of property purporting to be released hereunder shall be bound to ascertain the authority of the Lender to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser, in good faith, of any item or unit of the Collateral be under obligation to ascertain or inquire into the conditions upon which any such sale is hereby authorized.

Section 5. APPLICATION OF ASSIGNED RENT AND CERTAIN OTHER MONEYS RECEIVED BY THE LENDER.

5.1 Application of Assigned Rent. So long as no Event of Default or event which, but for the lapse of time or the giving of notice (or both) would constitute an Event of Default shall have occurred and be continuing, the amounts, if any, received from time to time by the Lender which constitute payment by the Lessee under the Lease of the installments of Basic Rent, shall be applied: first, to the payment of the installment of the aggregate unpaid principal and interest (first to interest and then to principal) then due on the Note; second, the balance, if any, of such amounts shall be paid to or upon the order of the Debtor.

5.2 Application of Casualty Payments. So long as no Event of Default or event which, but for the lapse of time or the giving of notice (or both), would constitute an Event of Default shall have occurred and be continuing, the amounts, if any, received from time to time by the Lender pursuant to the Lease (i.e., casualty loss) under circumstances which constitute payment for a Casualty Occurrence under Paragraph 16 of the Lease (defined as an event whereby any Item of Equipment is lost, stolen, destroyed or damaged beyond economic repair) with respect to any Item of Equipment shall be paid and applied as follows:

First, an amount equal to the accrued and unpaid interest due under the Note shall be paid to the holder thereof (after giving effect to all payments of installments of interest made or to be made on the date of receipt of payments for the Casualty Occurrence);

Second, an amount equal to the Loan Value of such Item of Equipment for which settlement is then being made shall be applied

pro rata to each remaining payment under the Note equally as a prepayment of the principal of the Note to the holder of the Note;

Third, the balance, if any, to the Debtor.

As used herein, the "Loan Value," in respect of any Item of Equipment, shall be an amount equal to the product of (A) a fraction, the numerator of which is one and the denominator of which is the aggregate number of Items of Equipment then under the Lease (including the Item of Equipment for which settlement is then being made), times (B) the aggregate unpaid principal amount of the Note immediately prior to the prepayment provided for in this Section 5.2 (after giving effect to all payments of installments of principal made or to be made on the date of receipt of payments for the Casualty Occurrence). The Lender shall calculate the Loan Value and a revised amortization schedule for the Note and submit such calculations to the Debtor upon receipt of payments for any Casualty Occurrence.

5.3 Default. If an Event of Default, or event which, but for the lapse of time or the giving of notice (or both), would constitute an Event of Default, shall have occurred and be continuing, all amounts received by the Lender shall be held until (a) such event or condition has been cured, or (b) such amounts are applied in the manner provided for in Section 6.6 hereof.

5.4 Excepted Payments. Notwithstanding any other provision of this Agreement, all payments constituting part of Excepted Rights in Collateral, if received by any holder of the Note, shall be paid to the Debtor.

Section 6. DEFAULTS AND OTHER PROVISIONS.

6.1 Events of Default. The term "Event of Default" shall mean one or more of the following events (whatever the reason for such Event of Default and whether such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) Failure to make of any installment of principal and interest on the Note when and as the same shall become due and payable, whether at the due date thereof or at the date fixed for prepayment or by acceleration or otherwise, and any such failure shall continue unremedied for sixty (60) days from written notice thereof, provided written notice of non-payment shall be given concurrently by the Lender to the Lessee if the Lender is then legally permitted to do so; or

(b) A Lease Event of Default shall have occurred and be continuing unless the Debtor shall have cured such Lease Event of Default and the corresponding Event of Default hereunder within the latest of (i) the expiration of the applicable grace period, or

(ii) within ten (10) days of receiving notice of any such Event of Default; provided, however, that notwithstanding any provision to the contrary herein, the Lender shall have given a copy to the Debtor of any notice given by the Lender to the Lessee in connection with any Lease Event of Default concurrently with the giving of such notice to the Lessee; or

(c) Default on the part of the Debtor in the due observance or performance of any covenant or agreement to be observed or performed by the Debtor under this Agreement (other than the covenants referred to in Sections 6.1(a) and (b)), and such default shall continue unremedied for thirty days after written notice from the Lender to the Debtor specifying the default and demanding the same to be remedied; or

(d) Any representation or warranty on the part of the Debtor made herein or in the Lease or in any report, certificate, financial or other statement furnished in connection with this Agreement or the Lease or the transactions contemplated herein or therein shall prove to be false or misleading in any material respect when made; or

(e) The security interest granted hereunder shall cease to be a perfected and enforceable first priority security interest in the Collateral other than as a result of acts by the Lender, or any claim, lien or charge asserted against the Collateral shall not be discharged or removed or such security interest restored as a perfected and enforceable first priority security interest within thirty (30) calendar days after written notice from the Lender or holder of the Note to the Debtor demanding the discharge or removal or restoration thereof; or

(f) The entry of a decree or order by a court having jurisdiction for relief in respect of the Debtor under any bankruptcy, insolvency or similar act, law or statute now or hereafter in effect, or adjudging the Lessee bankrupt or insolvent, or approving a petition seeking reorganization, adjustment or composition of or in respect of the Lessee under Title 11 of the United States Code, as now constituted or hereafter in effect, or under any other applicable Federal or State bankruptcy law or other similar law, or the entry of an order for the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or similar official) of the Debtor or of any substantial part of its property, or the entry of an order for the winding-up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of sixty (60) consecutive days; or

(g) The filing by the Debtor of any petition, application, answer or consent to or for liquidation, reorganization, arrangement or any other relief under any Chapter of Title 11 of the United States Code or any similar state or federal law or statute, as now or hereafter in effect, or the consent by it to the filing of any such petition or application for the relief requested therein, or the consent by it to the appointment or taking possession by a

receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Debtor or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the failure of the Debtor generally to pay its debts as such debts become due.

6.2 Lender's Rights. If any Event of Default shall occur and remains uncured at the end of the applicable cure period, the Lender shall have the rights, options, duties and remedies of a secured party, and the Debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code of the State of Pennsylvania (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted), and:

(a) The entire unpaid principal balance of the Note and accrued interest thereon shall be immediately due and payable without notice, presentment or demand in the case of an Event of Default under Section 6.1(f) and (g) above, and, in the case of any other Event of Default, shall be immediately due and payable upon notice from the Lender to the Debtor of any acceleration hereunder, and thereupon all such amounts shall be forthwith payable, together with all costs and expenses of collection if collected by or through an attorney at law, notwithstanding any contrary provision contained in this Agreement or the Note;

(b) At the request of the Lender, the Debtor shall promptly execute and deliver to the Lender such instruments of title and other documents as the Lender may deem necessary or advisable to enable the Lender (or its duly designated agent or representative), at such time or times and place or places as the Lender reasonably may specify, to obtain possession of all or any part of the Collateral to which the Lender shall at the time be entitled hereunder; if the Debtor shall for any reason fail to execute and deliver such instruments and documents after such request by the Lender, (i) the Lender may obtain a judgment conferring on the Lender the right to immediate possession and requiring the Debtor to execute and deliver such instruments and documents to the Lender, to the entry of which judgment the Debtor hereby specifically consents, and/or (ii) the Lender personally or by agents or attorneys, shall have the right to take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any premises, with or without notice, demand, process of law or legal procedure, and search for, take possession of, remove, keep and store the Collateral, or, to the extent permitted by law, use and operate or lease the Collateral until sold;

(c) Upon every such taking of possession, the Lender may, from time to time, at the expense of the Collateral, make all such expenditures for maintenance, insurance, repairs, replacements, alterations, additions and improvements to and of the Collateral, as it may reasonably deem proper, including the right to enter into any

and all such agreements with respect to the maintenance, use, operation, storage, leasing, control, management or disposition of the Collateral or any part thereof as the Lender may reasonably determine; and the Lender shall be entitled to collect and receive directly all tolls, rents (including rental under the Lease), revenues, issues, income, products and profits of the Collateral and every part thereof, except Excepted Rights in Collateral, without prejudice, however, to the right of the Lender under any provision of this Agreement to collect and receive all cash held by, or required to be deposited with, the Lender hereunder;

(d) The Lender may, if at the time such action may be lawful (subject to compliance with any mandatory legal requirements), either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Debtor once at least ten days prior to the date of such sale, sell and dispose of said Collateral, or any part thereof, at public or private auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Lender may determine, and at any place (whether or not it be the location of the Collateral or any part thereof) designated in the notice above referred to; provided, however, that any such sale should be held in a commercially reasonable manner; provided, further, that if, prior to such sale and prior to the making of a contract for such sale, the Debtor should tender full payment of the total unpaid balance of the Note, together with interest thereon accrued and unpaid and all other payments due under the Note and this Agreement as well as reasonable expenses of the Lender in retaking possession of, removing, storing, holding and preparing the Equipment for and otherwise arranging for the sale and the Lender's reasonable attorneys' fees, then upon receipt of such payment, expenses and fees by the Lender, absolute right to the possession of, title to and interest in the Equipment shall pass to and vest in the Debtor. The power to effect any sale shall not be exhausted by any one or more sales as to any of the Collateral remaining unsold, but shall continue unimpaired until the entire Collateral shall have been sold or all amounts payable under the Note and this Agreement shall have been paid in full. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further published notice, and the Lender or any holder of the Note, or of any interest therein, or the Debtor may bid and become the purchaser at any such sale;

(e) The Lender may proceed to protect and enforce this Agreement and the Note by suits or proceedings in equity or at law or in bankruptcy and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Collateral or any part thereof, for the recovery of judgment for the indebtedness hereby secured or for the enforcement of any other proper, legal or equitable remedy available under applicable law;

(f) The Lender may proceed to exercise all rights, privileges and remedies available to the Debtor under the terms of the Lease and may exercise all such rights and remedies either in the name of the Lender or in the name of the Debtor for the use and benefit of the Lender.

6.3 Acceleration Clause. In case of any sale of the Collateral pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Agreement, the principal amount of the Note, if not previously due, and the interest accrued thereon, shall at once become and be immediately due and payable; also in the case of any such sale, the purchaser, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Note and any claims for interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum applicable to the Note, including principal and interest thereof, after allowing and giving credit for the proportion of the total purchase price required to be paid in actual cash.

6.4 Waiver by Debtor. To the extent permitted by law, the Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force providing for the valuation or appraisal of the Collateral or any part thereof, prior to any sale or sales thereof to be made pursuant to any provision herein contained or pursuant to a decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, hereby expressly waives for itself and on behalf of each and every person all benefit and advantage of any such law or laws and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Lender, but will suffer and permit the execution of every such power as though no such law or laws had been made or enacted; provided, however, that any such sale or sales shall be made in a commercially reasonable manner.

6.5 Effect of Sale. Any sale, whether under any power of sale contained herein or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Debtor in and to the property sold.

6.6 Application of Sale Proceeds. After an Event of Default shall have occurred and be continuing, the proceeds of any sale of the Collateral (or any part thereof), the proceeds derived from the exercise of any other remedy hereunder, and any other amounts received by the Lender pursuant to this Agreement shall be applied as follows:

First, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper expenses, liability and advances, including reasonable actual legal expenses and attorneys' fees, incurred or made hereunder by the Lender, or the holders of the Note, and of all taxes, assessments or liens superior to the lien of this Agreement, except any taxes, assessments or other superior lien subject to which said sale may have been made, and of all costs and expenses associated with the maintenance of the Collateral; and

Second, to the payment to the holder of the Note of the amount then due, owing or unpaid on the Note for principal and interest, and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Note, then first to unpaid interest thereon, and second, to unpaid principal thereof; and

Third, to the payment of any other indebtedness secured by this Agreement to the holder of the Note; and

Fourth, to the payment of the surplus, if any, to the Debtor, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

6.7 Discontinuance of Remedies. In case the Lender shall have proceeded to enforce any right under this Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then, and in every such case, the Debtor, the Lender and the holders of the Notes shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Agreement.

6.8 Cumulative Remedies. No delay or omission of the Lender or of any holder of the Note to exercise any right or power arising from any default on the part of the Debtor shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Lender, or any holder of the Note, of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. The Lender may exercise any one or more or all of the remedies hereunder and no remedy is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing now or hereafter at law or in equity; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Agreement operate to prejudice, waive or affect the security of this Agreement or any rights, powers or remedies hereunder, nor shall the Lender or the holder of the Note be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

Section 7. TRANSFER OF DEBTOR'S INTEREST.

The Debtor agrees that it will not sell or otherwise transfer any of its interest in the Equipment or the Lease, or any part thereof, without the prior written consent of the Lender. Notwithstanding any provision in this Agreement to the contrary, Debtor may grant a second lien on the Equipment to a third party provided such lien is subordinate to Lender's security interest hereunder and Lender, in its sole and absolute discretion, approves the terms of such subordination.

Section 8. THE NOTE.

8.1 Execution of the Note. The Note shall be signed on behalf of the Debtor by an authorized signatory who, at the date of actual execution thereof, shall be duly authorized to execute the same.

8.2 Payment of the Note.

(a) The principal and interest on the Note shall be payable on or before each payment date under the Note by wire transfer of immediately available funds, at Bankers Trust Company, ABA #02100-1033, 16 Wall Street, New York, New York 10005, Attention: Insurance Unit, Private Placement 01419540 for credit to The Penn Insurance and Annuity Company, Acct. #092506, or to such other account as the holder of the Note shall designate to the Debtor from time to time in writing, and if no such designation is in effect, by check, duly mailed, first class, certified, postage prepaid, or delivered to the Lender at the address last furnished to the Debtor. All payments so made shall be valid and effective to satisfy and discharge the liability upon the Note to the extent of the sums so paid. All such payments shall be free and clear of, and without deduction for or an account of, wire or other charges. Each holder (or the person for whom such holder is a nominee) by its acceptance of the Note agrees that, before selling, transferring or otherwise disposing of the Note, it will advise the Debtor upon such transfer and notation of payment as provided in Sections 8.3 and 8.4.

(b) Except as provided in Section 8.2(c), no portion of the principal and/or interest due under the Note may be prepaid by Debtor.

(c) There shall be mandatory prepayment without penalty or premium of principal on the Note in an aggregate amount equal to the applicable Loan Value, plus interest accrued thereon, when a Casualty Occurrence exists and the Lessee has not provided substitute Equipment pursuant to the applicable provisions of the Lease and Section 5.2 herein.

(d) If any payment hereunder or under the Note is due on a day other than a Business Day, payments required to be made on such day shall be made on the next succeeding Business Day.

(e) The Debtor shall pay to the Lender or any holder of the Note interest on overdue principal and any other amounts payable hereunder which are overdue at the rate of ^{twelve} eight percent (8%) per annum whether as scheduled or upon acceleration or otherwise, but not in excess of the highest rate permitted by applicable law for the period of time such amounts are overdue and unpaid. 6/16/67

8.3 Transfers and Exchanges of Note; Lost or Mutilated Note.

(a) The holder of the Note (or reissued Note) may transfer such Note upon the surrender thereof at the principal office of the Debtor. The Debtor shall execute in the name of the transferee a new Note in a principal amount equal to the unpaid principal amount of the Note so surrendered and deliver the new Note to said holder for delivery to such transferee.

(b) The Note when presented or surrendered for exchange or transfer shall be accompanied by a written instrument or instruments of assignment or transfer, duly executed by the registered holder or by its attorney duly authorized in writing. The Debtor shall not be required to make a transfer or an exchange of the Note for a period of ten days preceding any installment payment date with respect thereto.

(c) No notarial act shall be necessary for the transfer or exchange of the Note pursuant to this Section 8.3, and the holder of the Note issued as provided in this Section 8.3 shall be entitled to any and all rights and privileges granted under this Agreement to the holder of such Note.

(d) In case the Note shall become mutilated or be destroyed, lost or stolen, the Debtor, upon the written request of the holder thereof, shall execute and deliver a new Note in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. The applicant for a substituted Note shall furnish to the Debtor such security or indemnity as may be required by the Debtor to save it harmless from all risks in connection therewith, and the applicant shall also furnish to the Debtor evidence to its reasonable satisfaction of the mutilation, destruction, loss or theft of the applicant's Note and of the ownership thereof.

8.4 New Note.

(a) Each new Note issued pursuant to Section 8.3(a) or (d) in exchange for or in substitution or in lieu of an outstanding Note shall be dated the date of such outstanding Note. The holder of the new Note, upon advice and consent of the Debtor, shall mark on the new Note (i) the dates to which principal and interest have been paid on such outstanding Note, (ii) all payments and prepayments of principal previously made on such outstanding Note which are allocable to such new Note, and (iii) the amount of each installment payment payable on such new Note. Interest shall be deemed to have

been paid on such new Note to the date on which interest shall have been paid on such outstanding Note, and all payments and prepayments of principal marked on such new Note, as provided in clause (ii) above, shall be deemed to have been made thereon.

(b) Each new Note issued pursuant to Section 8.3(a) or (d) in exchange for, in substitution of, or in lieu of an outstanding Note shall be the valid obligation of the Debtor evidencing the same debt as the outstanding Note and shall be entitled to the benefits and security of this Agreement to the same extent as the outstanding Note.

(c) Upon the issuance of any Note pursuant to this Agreement, the Debtor shall prepare and deliver to the Lender a copy of an amortization schedule with respect to such Note setting forth the amount of the installment payments to be made on such Note after the date of issuance thereof and the unpaid principal balance of such Note after each such installment payment. The Lender shall deliver, or send by first class mail, postage prepaid, one copy of the applicable schedule to the holder of such Note at its address furnished to the Debtor for such purpose.

8.5 Cancellation of Note. If the Note is surrendered for the purpose of payment, redemption, transfer or exchange, such Note shall be delivered to the Debtor for cancellation or, if surrendered to the Debtor, shall be cancelled by it, and no Note or Notes shall be issued in lieu thereof except as expressly required or permitted by any of the provisions of this Agreement.

Section 9. MISCELLANEOUS.

9.1 Business Days. As used herein, the term "Business Day" means calendar days, excluding Saturdays, Sundays and any other day on which banking institutions in the States of Pennsylvania or Georgia are authorized or obligated to remain closed.

9.2 Successors and Assigns. Whenever any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all the covenants, premises and agreements in this Agreement contained by or on behalf of the Debtor or by or on behalf of the Lender shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

9.3 Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Agreement shall not render any other provision or provisions herein unenforceable or invalid.

9.4 Communications. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or when deposited

in the United States mails, certified first class, postage prepaid, addressed as follows:

If to the Debtor: Railcar, Ltd.
Suite 315
1819 Peachtree Road, N.E.
Atlanta, Georgia 30309-1847
ATTN: Wilds L. Pierce, President

If to the Lender: The Penn Insurance and Annuity Company
Securities Investment Department
- Private Placement
Independence Square - V1M C1B
530 Walnut Street
Philadelphia, Pennsylvania 19172
ATTN: Richard M. Fox, Investment Officer

or to the Debtor or the Lender at such other address as the Debtor or the Lender may designate by notice duly given in accordance with this Section to the other party.

9.5 Governing Law. This Agreement and the Note shall be construed in accordance with and governed by the laws of the State of Pennsylvania; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof, as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited.

9.6 Counterparts. This Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Agreement.

9.7 Table of Contents and Headings. The Table of Contents hereto and any headings or captions preceding the text of the several sections hereof are intended solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

9.8 Limitation of Liability. It is understood and agreed by the Lender that, except as provided in this Section, the liability of the Debtor or any assignee of the Debtor for all payments to be made by it under and pursuant to this Agreement and the Note shall not exceed an amount equal to, and shall be payable only out of, the "income and proceeds from the Equipment." As used herein and in the Note, the term "income and proceeds from the Equipment" shall mean: (a) if one of the Events of Default specified in Section 6.1 hereof shall have occurred and while it shall be continuing, so much of the following amounts as are received by the Debtor or any assignee of the Debtor at any time after any such event and during the continuance thereof: (i) all amounts of operating revenues and amounts in respect of any Casualty Occurrence

paid for or with respect to the Equipment or pursuant to the Lease and any and all other payments received under the provisions of the Lease or any other Collateral (except for Excepted Rights in Collateral), and (ii) any and all payments or proceeds received for or with respect to the Equipment as the result of the sale, lease or other disposition thereof, after deducting all reasonable costs and expenses of such sale, lease or other disposition; but (b) at any other time, only that portion of the amounts referred to in the foregoing clauses (a)(i) and (ii) as are indefeasibly received by the Debtor or any assignee of the Debtor and as shall equal the portion of the principal of the Note (including prepayments thereof required in respect of any Casualty Occurrence) and/or interest thereon due and payable under the terms of the Note and this Agreement, or as shall equal any other payments then due and payable under this Agreement. Nothing contained herein limiting the liability of the Debtor shall derogate from (a) the obligation of the Lender to pay over to the Debtor amounts received by the Lender under the Lease which exceed amounts owing and payable to the Lender under the Note and any other Financing Agreement; or (b) the right of the Lender to proceed against the Collateral for the full unpaid principal amount of the Note and interest thereon and all other payments and obligations hereunder and thereunder. Notwithstanding any other provision of this Agreement, the Debtor shall be personally liable to the Lender on a full recourse basis (a) in the event any representation or warranty made by the Debtor in Sections 2.4(a)(i)-(viii), (x), (xiii) and (xix) herein shall prove to have been incorrect in any material respect when the same was made to the extent of any claim related hereto, and (b) in the amount by which the Loan Value exceeds the amount required to be paid by the Lessee under the Lease in the event of a Casualty Occurrence and payment for such loss or liability shall not be limited to the Collateral or the income or proceeds therefrom. Except as expressly provided in this Section 9.8, the Lender shall have no recourse against the properties and assets of the Debtor.

9.9 Marking of Equipment. The Debtor will not permit the identifying number of any Item of Equipment to be changed except in accordance with a statement of new number or numbers to be substituted therefor which previously shall have been filed by or on behalf of the Debtor in all public offices where this Agreement shall have been filed.

9.10 Participation. Notwithstanding any other provision of this Agreement, the Lender may enter into participation agreements before, in conjunction with or after the closing hereof, with participating lenders whereby the Lender will allocate certain percentages of this Agreement and the Note to such participating lenders. The Debtor agrees that its obligations under this Agreement are undertaken for the benefit of, and as an inducement to, each of any such participants as well as the Lender.

9.11 Transaction Expenses. The Debtor shall pay on demand all reasonable and actual attorneys' fees and expenses incurred by Lender up to \$_____ in connection with the closing of the

transactions contemplated herein, including without limitation the reasonable fees and expenses of Drinker Biddle & Reath, special counsel to the Lender, the reasonable fees and expenses of special I.C.C. counsel, and the costs associated with filing and perfecting any security interests in the Collateral.

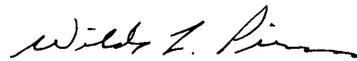
IN WITNESS WHEREOF, the Debtor and the Lender have executed this Agreement as of the day and year first above written.

DEBTOR:

ATTEST:

RAILCAR, LTD.


Eugene N. Martini
Vice President

By: 
Wilds L. Pierce
President

(CORPORATE SEAL)

LENDER:

ATTEST:

THE PENN INSURANCE AND ANNUITY
COMPANY

Name: _____
Title: _____

By: _____
Name: _____
Title: _____

(CORPORATE SEAL)

00450/28

00450

STATE OF FLORIDA

COUNTY OF DUVAL

On this 29th day of MARCH, 1994, before me personally appeared Wilds L. Pierce and Eugene N. Martini, to me personally known, who being by me duly sworn, say that they are the President and Vice President respectively, of RAILCAR. LTD., that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Bylaws, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Terry L. Young
Notary Public

(SEAL)

My Commission expires:

TERRY L. YOUNG
NOTARY PUBLIC, STATE OF FLORIDA
My commission expires July 20, 1997
Commission No. CC 30290
Bonded thru Patterson - Becht Agency

transactions contemplated herein, including without limitation the reasonable fees and expenses of Drinker Biddle & Reath, special counsel to the Lender, the reasonable fees and expenses of special I.C.C. counsel, and the costs associated with filing and perfecting any security interests in the Collateral.

IN WITNESS WHEREOF, the Debtor and the Lender have executed this Agreement as of the day and year first above written.

DEBTOR:

ATTEST:

RAILCAR, LTD.

Eugene N. Martini
Vice President

By: _____
Wilds L. Pierce
President

(CORPORATE SEAL)

LENDER:

ATTEST:

**THE PENN INSURANCE AND ANNUITY
COMPANY**

George F. Koch

Name: George F. Koch
Title: Secretary

By: *Leroy O. McClellan*

Name: LEROY O. McCLELLAN
Title: INVESTMENT OFFICER

(CORPORATE SEAL)

00450/28

00450

EXHIBIT A

(to the Loan and Security Agreement)

DESCRIPTION OF EQUIPMENT

TYPE AND DESCRIPTION OF CAR:	100-ton 7,000 Cu. Ft. Woodchip Hopper Cars
NUMBER OF CARS:	One Hundred Fifty (150)
PERMITTED USE:	Wood products only
RESTRICTIVE USE:	Cars to be used exclusively in rotary dump service
REPORTING MARK AND NUMBERS:	WVCX 3000 - 3149, inclusive
OWNER:	RAILCAR, LTD.

EXHIBIT B
(to the Loan and Security Agreement)

COPY OF LEASE

00450/32

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EXHIBIT B

(to Loan and Security Agreement)

LEASE AGREEMENT

This LEASE AGREEMENT ("Lease") is made and entered as of the 3rd day of May, 1988, between RAILCAR MANAGEMENT, INC., a Georgia corporation acting as principal and/or agent for owners, to be identified by supplement as referred to below (hereinafter called "RMI"; RMI and such owners are collectively referred to as RMI from time to time in this Lease, except that, as the context may require RMI shall mean, with respect to any Car, the owner of said Car identified on any Schedule or Amendment hereto or RMI in its management and agent capacity with respect to such Car) and the WESTVACO CORPORATION, (hereinafter called "Lessee").

RECITALS

Lessee desires to lease from RMI as Lessor certain railroad cars, hereinafter specifically designated, all upon the rentals, terms and conditions set forth in this Lease.

AGREEMENT

It is Agreed:

1. Lease of Cars. RMI agrees to lease to Lessee and Lessee agrees to and does hereby lease from RMI the Cars (the term "Cars" and other terms used herein are defined in Paragraph 28 hereof). The Cars covered by this Lease are those which shall be delivered to and accepted by Lessee pursuant to Paragraphs 2 and 3 hereof. The Lease shall become effective as to any Car immediately upon its acceptance pursuant to Paragraph 3.

RMI represents and warrants to Lessee as of the date of execution of this Lease that:

- (a) RMI is a corporation duly organized and validly existing in good standing under the laws of the state of Georgia, and has corporate power to and has taken all corporate action necessary validly to enter into this Lease and carry out its obligations thereunder;
- (b) RMI has been duly authorized by the owners of the Cars, their assignees, pledgees, mortgagees, secured parties and lenders to enter into this Lease on behalf of said parties and this Lease constitutes the legal, valid and binding obligation of the aforesaid, enforceable in accordance with its terms except to the extent that enforcement may be limited by bankruptcy, insolvency or similar laws affecting

the enforcement of creditor's rights generally and except to the extent that enforcement is subject to general principles of equity (including but not limited to all matters of public policy) regardless of whether such enforceability is considered in a proceeding in equity or at law;

- (c) the Cars shall be rebuilt to qualify as "Rebuilt" woodchip Cars under Rule 88 of the Interchange Rules, such rebuilding with respect to all Cars to be completed not later than January 31, 1989;
- (d) each Car shall be in conformity with all applicable Interchange Rules on the date of its delivery hereunder;
- (e) the owners of the Cars, as identified on any Schedule or Amendment hereto, have valid legal title to their respective Cars free and clear of any liens or encumbrances of any nature whatsoever except for the security interest of Funding Agent; and
- (f) the Cars will be kept free and clear of any and all liens and encumbrances of any nature whatsoever (other than the security interest of Funding Agent) during the term of this Lease).

In the event the Department of Transportation, the Interstate Commerce Commission, the Federal Railroad Administration, the Association of American Railroads or any other governmental agency or non-governmental organization having jurisdiction over the operation, safety or use of the Cars requires additions, modifications or adjustment to the Cars in order to qualify them for operation in railroad interchange, Lessee shall have the option exercisable in its sole discretion, to either (i) pay all costs and expenses in connection with the required additions, modifications or adjustments or (ii) request that RMI pay all costs and expenses in connection with the required additions, modifications or adjustments, in which latter event Lessee shall reimburse RMI for all costs and expenses paid by RMI, such total reimbursement to be paid to RMI as additional rent on a monthly basis over the remaining term of this Lease in an amount determined by amortizing said total reimbursement in equal monthly installments at an annual interest rate equal to the prime rate (as announced by RMI's principal commercial lender on the date RMI makes the final payment owing in connection with the required additions, modifications or adjustments) plus three percent (3%).

2. Delivery of Cars. RMI shall deliver the Cars as promptly as is reasonably possible, but in no event later than January 31, 1989. RMI's obligations with respect to delivery of all or any of the Cars are hereby made expressly subject to, and RMI shall not be responsible for, failure to deliver or delays in delivering Cars due to labor difficulties, fire, delays and defaults of carriers and material suppliers of Car manufacturers, acts of God, governmental acts, regulations and restrictions or any other causes, casualties or contingencies beyond RMI's control. Delivery shall be f.o.t. Kustom Karr Corporation rebuilding facility Green Cove Springs, Fla. and/or such other rebuilding facility as is mutually agreed upon. From and after acceptance of a Car, Lessee shall be liable for, and shall pay or reimburse RMI for the payment of, all costs, charges and expenses of any kind whatsoever on account of or relating to switching, demurrage, detention, storage, transportation or movement of a Car, including specifically, but not

exclusively, freight and switching charges for movement at any time and from time to time to and from car shops, storage or terminal facilities.

3. Condition of Cars - Acceptance. Lessee has inspected, at each agreed upon rebuilding facility, sample Cars and, subject to the satisfactory completion of the repairs contemplated under Exhibit A, made a part hereof, Lessee shall accept the Cars so inspected and the balance of the Cars; provided, however, that Lessee shall inspect all Cars upon completion of such repairs and may reject any thereof, by written notice to RMI, only if such Cars are not in conformity with the requirements and specifications of Exhibit A after completion of such repairs; provided, however, that RMI shall be given a reasonable opportunity to rectify any such nonconformity. Lessee shall endeavor in good faith to inspect available rebuilt Cars twice per month, and any such Cars not inspected by Lessee twenty (20) days after initially being made available for inspection shall be deemed accepted by and delivered to Lessee in all respects hereunder and shall be released for service by the rebuilding facility. In all events, this Lease Agreement shall be fully effective with respect to that number of Cars actually accepted by Lessee, and RMI shall suffer no bias by reason of failure to provide the full number of Cars set forth in Exhibit A. Acceptance of Cars by Lessee shall be evidenced by certificates of acceptance issued by a duly authorized representative of Lessee in the form attached as Exhibit B and made a part hereof, herein referred to as "Certificate(s) of Acceptance," the issuance of which shall constitute conclusive evidence of delivery and acceptance of the Cars identified therein.

4. Use and Possession. Throughout the continuance of this Lease so long as Lessee is not in default hereunder, Lessee shall be entitled to the peaceable use and possession and quiet enjoyment of each Car and will not be disturbed in its possession of each Car from the date the Lease becomes effective as to such Car and shall use such Car (a) on its own property or lines; or (b) upon the lines of any railroad or other person, firm or corporation in the usual interchange of traffic; provided, however, that Lessee agrees that the Cars shall at all times be used (i) in conformity with Interchange Rules (ii) in compliance with the terms and provisions of this Lease; (iii) in a careful and prudent manner, solely in the use, service and manner for which they were designed; (iv) only within the continental limits of the United States of America and (v) exclusively in rotary dump service.

5. Term. This Lease Agreement shall be for a term of fifteen (15) years, hereinafter referred to as "Lease Year(s)", the first of which shall commence on the first day of the first month following the date on which the last Car is delivered and accepted hereunder pursuant to Paragraph 3 (the "Commencement Date") and the last of which shall terminate at the expiration of the fifteenth (15th) Lease Year. All of the terms and provisions of this Lease Agreement shall apply and be in full force and effect with respect to Cars delivered to Lessee prior to the Commencement Date. Except as expressly provided in Paragraphs 10, 16, and 18 hereof, this Lease may not be unilaterally cancelled or terminated in whole or in part by either party.

6. Rental. Lessee shall pay rental to RMI as follows:

- (a) Interim rental on a pro-rata basis at the rate of Eight Dollars and Ninety-Five Cents (\$8.95) per Car per day during the period

between the date of acceptance pursuant to Paragraph 3 of each Car hereunder and the Commencement Date; such interim rental shall be payable on the Commencement Date.

(b) Monthly rental at the rate of Two Hundred Seventy-two Dollars and Ten Cents (\$272.10) per Car commencing on the Commencement Date and terminating at the expiration of the fifteenth (15th) Lease Year.

7. Payment. Lessee shall make payment of all sums due hereunder to RMI at the address provided in Paragraph 21 hereof, or such other place as RMI may direct. Rental payments shall be made monthly in advance on or before the 1st day of each month for which such rental is due.

8. Title. Lessee shall not by reason of this Lease or any action taken hereunder acquire or have any right or title in the Cars except the rights herein expressly granted to it as Lessee.

9. Repairs and Expenses. Lessee shall perform or cause to be performed and shall pay all costs and expenses of, all Repair Work without any abatement in rent or other loss, cost or expense to RMI. Any parts, replacements or additions made to any car shall be accessions to such car and title thereto shall be immediately vested in RMI without cost or expense to RMI. Other expenses in connection with the ordinary use of the Cars shall also be borne by Lessee. Lessee acknowledges and agrees that neither RMI or Funding Agent shall have any responsibility or liability for Repair Work under this Lease.

10. Substitution of Cars. RMI may, at any time and from time to time, replace any Withdrawn Cars or Casualty Cars with Replacement Cars and such Replacement Cars shall be deemed to be subject to all terms and conditions of this Lease as if the same had been originally delivered to Lessee at the time and in the place of Cars for which they are substituted. The parties shall execute amendments to this Lease and such other or further documents as may be required by either party hereto to evidence the withdrawal from and termination of this Lease with respect to Withdrawn Cars or Casualty Cars, or to include any Replacement Cars within the terms and provisions of this Lease and of any other document under which RMI has assigned its rights hereunder, as permitted in Paragraph 19 hereof.

11. No Abatement of Rent. Rental payments on any Car shall not abate if such Car is out of service for Repair Work nor on account of any other reason whatsoever. Lessee agrees that, upon receipt of written notice from RMI that the Lease has been assigned to The CIT Group/Equipment Financing, Inc. or such other party as is designated by RMI (the "Assignee"), it will pay to Assignee all monies due or to become due under the Lease without regard to any defense, claim (including but not limited to claims for structural defects in the Cars or for patent infringement), counterclaim, recoupment, setoff or right it may have against RMI whether arising under this Lease or any other transaction or otherwise and will not seek to recover any part of the same from Assignee, provided that Lessee shall not be obligated to make any payment or perform any obligation under the Lease in favor of Assignee if, when no Event of Default shall have occurred and be continuing, Assignee interferes with Lessee's right to quiet enjoyment of the Cars. Lessee will not assert against said Assignee any defense, claim (including but not limited to claims for structural defects

in the Cars or for patent infringement), counterclaim, recoupment, setoff, or right to cancel or terminate the Lease which Lessee may have against RMI. Notwithstanding the foregoing, nothing herein shall be deemed to relieve RMI of any of its obligations to Lessee under the Lease.

12. Taxes and Insurance. Lessee shall be liable for and pay or reimburse RMI for payment of all Federal, State or other governmental charges or taxes assessed or levied against the Cars, including but not limited to (i) all Federal, State or local sales or use taxes imposed upon or in connection with the Cars, this Lease, or the manufacture, acquisition, or use of the Cars for or under this Lease; (ii) all taxes, duties or imports assessed or levied on the Cars or this Lease by a foreign country; and (iii) all taxes or governmental charges assessed or levied upon its interest as Lessee of Cars. If any levy or assessment is made against RMI or which RMI shall pay on account of any of the foregoing matters or on account of its ownership of the Cars, exclusive, however, of any taxes on the net income of RMI therefrom (except any such tax which is in substitution for, or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as hereinbefore provided), Lessee will promptly pay or reimburse RMI for same; but the Lessee shall not be required to pay the same so long as it shall in good faith and by appropriate legal or administrative proceedings contest the validity or amount thereof unless a lien for such taxes would attach to any Car during any time the taxes were being contested or unless thereby, in the judgment of RMI, the rights or interest of RMI in and to the Cars will be materially endangered. If RMI fails to notify Lessee of any levy or assessment within the statutory time period to contest the levy or assessment, or in any way impairs Lessee's ability or right to contest the levy or assessment, then Lessee shall pay such levy or assessment, but RMI agrees to indemnify and hold Lessee harmless against the levy or assessment and any and all penalties and interest charges which are incurred by reason of RMI's failure to provide timely notification. Lessee agrees not to reduce or offset any rentals due hereunder by the amount of levy or assessment or interest or penalties thereon whether or not RMI gives timely notification thereof. In the event any tax reports are required to be made on the basis of individual Cars, the Lessee will either make such reports in such manner as to show the ownership of such Cars by RMI or will notify RMI of such requirements and will make such report in such manner as shall be satisfactory to RMI. RMI shall notify Lessee in writing of any tax Lessee is obligated to pay pursuant to this Paragraph 12. RMI acknowledges and agrees that Funding Agent, as defined in Paragraph 28(g), has made no representation or warranty regarding the tax consequences of this Lease or of the ownership of the Cars to RMI, and Funding Agent shall have no responsibility or liability whatsoever for taxes of any nature or kind assessed or levied against RMI in connection with this Lease or the Cars.

At all times during the term of this Lease, Lessee shall, at its own cost and expense:

- (a) insure or self-insure each Car leased hereunder against physical damage for which Lessee is responsible in an amount equal to the payment required to be made under Paragraph 16 in the event such Car becomes a Casualty Car;

- (b) maintain and furnish RMI with evidence either of self insurance or comprehensive general liability insurance covering bodily injury and property damage claims in an amount not less than \$1 million single limit each accident. Such liability insurance shall be issued by a company licensed to do business in the State of Georgia and shall name RMI as an additional insured with respect to this Lease only and shall provide coverage for Lessee's obligations under Paragraph 14 hereof.

Lessee will furnish Funding Agent (as defined in Paragraph 28(g)) with certificate(s) evidencing the insurance and/or self insurance described above, and shall designate and acknowledge Funding Agent as loss payee (with priority over RMI) to the extent of Funding Agent's interest in the Cars.

Lessee's obligation to maintain insurance with respect to each Car shall commence on the delivery date of such Car and shall continue until the lease term thereof terminates and, if such is required hereunder to be returned to RMI, until such return. Lessee shall cooperate and, to the extent possible, cause others to cooperate with RMI and all companies providing any insurance to Lessee or RMI or both with respect to the Cars.

13. Liens. Lessee shall keep the Cars free from any and all encumbrances or liens in favor of anyone claiming by, through or under Lessee which may be a cloud upon or otherwise affect RMI's title, including, but not limited to liens or encumbrances which arise out of any suit involving Lessee, or any act, omission or failure of Lessee to comply with the provisions of this Lease, and Lessee shall promptly discharge any such lien, encumbrance or legal process.

14. Indemnity. Lessee will indemnify RMI against any loss, damage, claim expense (including attorney's fees and expenses of litigation) or injury imposed on, incurred by, or asserted against RMI arising out of Lessee's or shipper's use, lease, possession or operation of the Cars occurring during the term of this Lease, or by the contents of such Cars, however occurring, except any loss, liability, claim, damage or expense which is attributable to the act or omission of RMI or to a structural defect in a Car (other than a defect for which Lessee has repair responsibility pursuant to Paragraph 9 or which is attributable to ordinary wear and tear), or to any matter relating to patent infringement, or for which a railroad or railroads have assumed full responsibility and satisfied such responsibility. For purposes of the preceding sentence, "ordinary wear and tear" shall mean the wear, deterioration and depreciation to the Cars and parts thereof which results from the ordinary, reasonable and customary use of the Cars over time in accordance with the terms of the Lease taking into account industry custom and usage. RMI agrees to indemnify Lessee against any loss, damage, claim or expense incurred by or asserted against Lessee for patent infringement by the Cars. All indemnities contained in this Lease shall survive the termination hereof, however same shall occur. It is understood and agreed, however, that each party shall give the other prompt notice of any claim or liability hereby indemnified against, and the indemnifying party shall be entitled to control the defense thereof, at the indemnifying party's expense. Lessee agrees and acknowledges that Funding Agent, as defined in Paragraph 28(g), shall have no liability whatsoever to Lessee for any indemnity given by RMI to Lessee

pursuant to this Paragraph 14 or for any breach by RMI of any representation, warranty, covenant or agreement contained in this Lease.

15. Lettering - Inventory. Except for renewal and maintenance of lettering indicating the rights of RMI or any assignee of RMI or that the Car is leased to the Lessee or to a sublessee, no lettering or marking shall be placed upon any of the Cars by Lessee except upon the written direction or consent of RMI. RMI or Funding Agent may at its own cost and expense inspect the Cars from time to time wherever they may be, and Lessee shall, upon request of RMI or Funding Agent, but no more than once every year, furnish to RMI or Funding Agent its certified inventory of all Cars then covered by this Lease.

16. Loss, Theft or Destruction of Cars. In the event any Car is lost, stolen, destroyed or damaged beyond economic repair, Lessee shall, by notice, promptly and fully advise RMI of such occurrence, and Lessee shall, within 45 days after demand by RMI, promptly make payment to RMI in the amount of the casualty loss set forth in Exhibit "C" attached hereto and made a part hereof reduced by any payment received by RMI for such Casualty Car from a handling railroad or other party under and pursuant to the Interchange Rules. This Lease shall terminate with respect to a Casualty Car on the date RMI shall receive notice of a casualty occurrence with respect thereto, and thereafter Lessee shall have no further liability to RMI hereunder with respect thereto excepting liabilities arising or existing under Paragraphs 6, 12, 13, and 14 hereof and the liability, if any, of Lessee to make payments pursuant to this Paragraph.

17. Return of Cars. Upon the expiration or upon the termination of this Lease with respect to any Car (other than pursuant to Paragraph 16 hereof), Lessee shall at its sole cost and expense forthwith surrender possession of such Car to RMI by delivering same to RMI at such car shop, storage or terminal facility on railroad tracks owned by CSX Transportation, Inc. as it may designate by notice to Lessee. Each Car so surrendered shall be in the same or as good condition, order and repair as when delivered to Lessee, wear and tear from ordinary use and the passage of time excepted, and shall be in need of no repairs for which Lessee is liable under Paragraph 9. Until the delivery of possession to RMI pursuant to this Paragraph 17, Lessee shall continue to be liable for and shall pay rental at the rate being paid immediately prior to termination or expiration, and Lessee shall in addition make all other payments and keep all obligations and undertakings required of Lessee under any and all provisions of this Lease as though such termination or expiration had not occurred.

18. Default. An Event of Default shall occur under this Lease if and only if Lessee shall fail to make any payment required hereunder within 60 days after written notice has been mailed to Lessee stating that such payment is due and unpaid, or if Lessee shall continue to fail to observe or perform any condition, covenant or agreement required to be observed or performed on its part hereunder 60 days after written notice of such failure, or if a proceeding shall have been commenced by or against Lessee under any bankruptcy laws, Federal or State, or for the appointment of a receiver, assignee or trustee of Lessee or its property and such proceeding is not dismissed within 60 days of commencement, or if Lessee shall make a general assignment for the benefit of creditors. If and only if an Event of Default has occurred, RMI may at its election --

(a) Terminate this Lease by written notice to such effect, and retake the Cars and thereafter recover any and all damages sustained by reason of Lessee's default in addition to all rental unpaid as of the date specified in such notice (which date shall not be earlier than 20 days after the date of the notice), which damages are agreed hereunder to equal the sum of (i) a liquidated damages amount (for loss of the bargain and not as a penalty) equal to the casualty loss of the Cars as determined under Exhibit "C" attached hereto and made a part hereof reduced by the fair market sale value of the Cars as of such date and (ii) all reasonable legal fees and other costs and expenses incurred by reason of the occurrence of any default or the exercise of RMI's remedies with respect thereto, including all costs and expenses incurred in connection with the resale, re-lease or other placing of the Cars. For purposes of the preceding sentence, if Lessee fails to return any Car, the fair market sale value of that Car shall be deemed to be zero. RMI may sell the Cars at public or private sale, with or without notice, advertisement, or publication, as RMI may determine, or otherwise dispose of, hold, use, operate, lease to others, or keep idle the Cars as RMI in its sole discretion may determine, all free and clear of any rights of Lessee and without any duty to account to Lessee with respect to such action or inaction or for any proceeds with respect thereto.

(b) Exercise any other right or remedy which may be available to RMI under applicable law or proceed by appropriate court action to enforce the terms hereof or to recover damages for the breach hereof or to rescind this Lease.

Upon the occurrence of any Event of Default, RMI may demand that, and Lessee shall at its expense upon such demand return the Cars promptly to Lessor at such place in the continental United States of America as RMI shall specify.

Any amounts owing pursuant to subparagraphs (a) and (b) above shall accrue interest at the rate of twelve percent (12%) per annum from the date first owing until the date paid. The remedies set forth in subparagraphs (a) and (b) above are exercisable by RMI or by any assignee of RMI only upon the occurrence of an Event of Default, and in the absence of an Event of Default, neither RMI nor any assignee of RMI shall disturb or impair the peaceable use and possession and quiet enjoyment of each Car during the term of this Lease.

19. Sublease and Assignment. The right to assign this Lease by either party and the Lessee's right to sublease shall exist only as follows:

(a) Lessee shall have no right to assign or sublease or loan any of the Cars without the prior written consent of RMI, which consent shall not be unreasonably withheld.

(b) All rights of RMI hereunder may be assigned, pledged, mortgaged, transferred or otherwise disposed of either in whole or in part without notice to Lessee. This Lease and Lessee's rights hereunder are and shall be subject and subordinate to any chattel mortgage, security agreement or equipment trust or other security instrument covering the Cars or the Lease heretofore or hereafter created by RMI; provided, however, that in

the event the Lease or ownership of the Cars are transferred to any pledgee, mortgagee, trustee or other secured party (including, but not limited to, Funding Agent) by reason of foreclosure, transfer in lieu of foreclosure, bankruptcy, insolvency or other action similar to the foregoing, such transferee shall succeed to and be bound by all of the benefits, burdens and provisions of this Lease including, but not limited to, the provisions of Paragraph 4 hereof. If RMI or Funding Agent shall have given written notice to Lessee designating the identity and post office address of any assignee, pledgee, mortgagee or other transferee entitled to receive future rentals and any other sums payable by Lessee hereunder, Lessee shall thereafter make such payments to the person so designated.

The making of an assignment or sublease by Lessee or an assignment by RMI shall not serve to relieve such party of any liability or undertaking hereunder nor to impose any liability or undertaking hereunder upon any such assignee or sublessee except as otherwise provided herein or unless expressly assumed in writing by such sublessee or assignee.

20. Representations and Warranties of Lessee. Lessee hereby represents and warrants that as of the date of execution of this Lease that;

(a) Lessee is a corporation duly organized and validly existing in good standing under the laws of the state of its incorporation, and has corporate power to and has taken all corporate action necessary validly to enter into this Lease and carry out its obligations thereunder;

(b) this Lease has been duly executed on behalf of Lessee and constitutes the legal, valid and binding obligation of Lessee, enforceable in accordance with its terms;

(c) neither Lessee nor its counsel know of any requirement for recording, filing or depositing this Lease, to preserve or protect the title of RMI or its assignee in the United States of America; and

(d) no governmental, administrative or judicial authorization, permission, consent or approval is necessary on the part of Lessee in connection with this Lease or any action contemplated on its part thereunder.

21. Notice. Any notice required or permitted to be given pursuant to the terms of this Lease shall be properly given when made in writing, deposited in the United States mail, registered or certified, postage prepaid, addressed to:

RMI at: 1819 Peachtree Road, N.E.
Suite 303
Atlanta, Georgia 30309

Lessee at: Transportation Manager
Westvaco Corporation
Kraft Division
North Charleston, S.C. 29406

and

Corporate Secretary
Westvaco Corporation
299 Park Avenue
New York, NY 10171

or at such other address as either party may from time to time designate by such notice in writing to the other.

22. Representations and Warranties of Lessor. EXCEPT AS EXPRESSLY SET FORTH IN THIS LEASE, RMI MAKES NO WARRANTY OR REPRESENTATION OF ANY KIND, EITHER EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING SPECIFICALLY BUT NOT EXCLUSIVELY, ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE EXTENDING BEYOND THE DESCRIPTION IN EXHIBIT A, OR THE DESIGN, WORKMANSHIP, CONDITION OR QUALITY OF THE CARS OR PARTS THEREOF WHICH CARS HAVE BEEN ACCEPTED BY LESSEE HEREUNDER; and, except for those warranties and representations expressly set forth in this Lease, RMI shall have no liability hereunder for damages of any kind, including specifically but not exclusively, special, indirect, incidental, or consequential damages on account of any matter which might otherwise constitute a breach of warranty or representation. RMI agrees to assign to Lessee such rights as it may have under warranties, if any, which it may have received from the rebuilder of any Cars or parts therefor and shall at Lessee's expense cooperate with Lessee and take such action as may be reasonably requested to enable Lessee to enforce such rights.

23. Governing Law - Writing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of Georgia. The terms of this Lease and the rights and obligations of the parties hereto may not be changed or terminated orally, but only by agreement in writing signed by the party against whom enforcement of such change or termination is sought.

24. Counterparts. This Lease may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same contract, which may be evidenced by any such signed counterpart.

25. Severability - Waiver. If any term or provision of this Lease or the application thereof to any persons or circumstances shall to any extent be invalid or unenforceable, the remainder of this Lease or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable shall not be affected thereby, and each provision of this Lease shall be valid and be enforced to the fullest extent permitted by law. Failure of RMI to exercise any rights hereunder shall not constitute a waiver of any such right upon the continuation or recurrence of the situation or contingency giving rise to such right.

26. RMI's Agency Role. It is understood and agreed between the parties that RMI in executing this Lease is acting as agent for the owners of the Cars and that all references herein to RMI shall be construed to bind only the owners of the Cars and not RMI as a principal, but shall bind RMI as an agent.

27. Past Due Payments. Any nonpayment of rentals or other sums due hereunder, whether during the period within which a default may be cured or for a longer period, and whether or not deemed a default or violation of this Lease, shall result in the obligation on the part of the Lessee to pay also an amount equal to twelve per cent per annum (or if such rate may not lawfully be charged, then the highest rate which may lawfully be charged) of such overdue sum for the period of time during which overdue and unpaid.

28. Definitions. For all purposes of this Lease the following terms shall have the following meaning:

(a) "Cars" -- railroad cars of the type, construction and such other description as is set forth in Exhibit A.

(b) "Interchange Rules" -- all codes, rules, interpretations, laws or orders governing hire, use, condition, repair and all other matters pertaining to the interchange of freight traffic reasonably interpreted as being applicable to the Cars, adopted and in effect from time to time by the American Association of Railroads and any other organization, association, agency, or governmental authority, including the Interstate Commerce Commission and the United States Department of Transportation, which may from time to time be responsible for or have authority to impose such codes, rules, interpretations, laws or orders.

(c) "Repair Work" -- all repairs, maintenance, modifications, additions or replacements required to keep and maintain the Cars in good working order and repair in accordance with and on the effective date of the requirements of all Interchange Rules.

(d) "Withdrawn Cars" -- Cars as to which this Lease has been terminated by RMI because deemed by RMI to be unsuitable or uneconomical for Repair Work.

(e) "Casualty Cars" -- Cars which are lost, stolen, destroyed or damaged beyond economic repair.

(f) "Replacement Cars" -- Cars of substantially similar description and specifications to that set forth in Exhibit A which are substituted for Withdrawn or Casualty Cars.

(g) "Funding Agent" -- The CIT Group/Equipment Financing, Inc. or such other person, entity or institution as is mutually agreed by RMI and Lessee to be the principal source of financing to RMI in connection with the Cars and the Lease.

29. Benefit. Except as otherwise provided herein the covenants, conditions and agreements contained in this Lease shall bind and inure to the benefit of the parties and (to the extent permitted in Paragraph 19 hereof) their successors and assigns. Without limiting the generality of the foregoing, the indemnities of the Lessee contained in Paragraph 12 and Paragraph 14 hereof shall apply to and inure to the benefit of any assignee of RMI, and if such assignee is a trustee or secured party under an indenture under which evidence of indebtedness has been issued in connection with the financing of the Cars, then also to the benefit of any holder of such evidence of indebtedness.

30. Recording. Upon request by RMI, Lessee shall join in the execution of a memorandum or short form of this Lease for use in recordation with the Interstate Commerce Commission or such other recordation as RMI deems appropriate. Said memorandum or short form of lease shall describe the parties, the Cars being leased and the term of this Lease including any options to extend and shall incorporate the Lease by reference.

IN WITNESS WHEREOF, RMI and Lessee have duly executed this Lease as of the day and year first above written.

ATTEST:

Madean C. Shumblen
Secretary

(SEAL)

RAILCAR MANAGEMENT, INC.

By: Willy L. Piers
President

ATTEST:

David W. Nelken
Vice President and Secretary

(SEAL)

WESTVACO CORPORATION

a Delaware Corporation

By: B. D. [Signature]
Title: Senior Vice President

OK

0002s

EXHIBIT "A"

Lease dated May 3, 1988, by and between RAILCAR MANAGEMENT, INC. ("RMI") and WESTVACO CORPORATION ("Lessee")

TYPE AND DESCRIPTION OF CAR: 100 ton 7000 cu. ft. woodchip
hopper cars

NUMBER OF CARS: One hundred fifty (150)

PERMITTED LADING USE: Wood products only

RESTRICTIVE USE: Cars to be used exclusively in
rotary dump service

REPORTING MARK AND NUMBERS: WVCX 3000-3149

OWNER: Railcar, Ltd.

PREVIOUS REPORTING MARK
AND NUMBER: SBD 432586-433059

0002s

RAILCAR MANAGEMENT, INC.
04/19/88 SPECIFICATION COVERING

Exhibit A

Rehabilitation, Rebuilding and Modification of up to 150 former CSX 100 ton, 7000 cu. ft. wood chip hopper cars for exclusive use in rotary dump service from the series specified below:

<u>SERIES</u>	<u>APPROX QTY</u>	<u>YEAR BUILT</u>	<u>BUILDER</u>
S80 432586 -433059	150	1970-71	Pullman - Standard

or any other cars of similar age, design and construction.

I. SCOPE

It is the intent of this specification to provide guidelines, instructions and procedures necessary to produce a rehabilitated and rebuilt rotary dump wood chip hopper car that is structurally and mechanically sound, meets all applicable AAR and FRA requirements, is shipper acceptable and has good appearance with an environmentally effective protective coating.

II. DESCRIPTION

These cars are of welded and riveted high strength steel construction with rigid underframes arranged for conventional M-901E draft gears. Trucks are narrow-pedestal roller bearing type of Barber S-2-A Design with D-3 springs. Air brakes are ABD with conventional rigging arranged for high-friction composition shoes. Cars are equipped with AAR approved double-acting mechanical slack adjusters. All cars originally had approved retaining valves located in accordance with current AAR standards and seal ring key or approved ball type angle and cutout cocks. Sides are of riveted construction with channel side posts and reinforced modified "Tee" section side plates.

III. WORK CONTENT

A. AAR REBUILD

Cars will be rebuilt in accordance with provisions of AAR Rule 88 including preparation and submission by the rebuilder of necessary stress calculations and drawings to insure AAR certification.

B. Car Body Sides

Sides will be repaired and modified as follows:

1. TOP RAILS:

Existing tee, angle, and channel top rail arrangements are to be removed for entire length between bolsters and replaced with new 4" x 4" x 3/8" tubing top rails. Application is to be welded. Splices should not be made within 10-ft. of transverse center line of car. Welded top rail splices should be made and reinforced before application to car.

2. SIDE SHEET REPAIRS / REPLACEMENT:

All cars are to have the top 6" of the eight (8) upper side sheet panels nearest center of car, both sides, replaced with 1/4" thick flat steel panels. Application is to be welded.

Side sheet panels are to be replaced on an as-needed basis. Small isolated cracks in these areas may be vee'd and welded; in such cases, relief holes should be drilled at ends of cracks (relief holes are not to be welded). Flat 3/16" sheets are to be used where replacement is required. Affected areas are to be cut out where reasonable patch repair can be accomplished. Cut outs are to have rounded corners and are to have edges ground smooth. Patches are to be applied on interior side, with welds to be made on exterior side of joint only. Welding is to be continuous. Where patches cannot be effectively applied, panel should be replaced and may be secured by welding.

3. SIDE POSTS

Side posts on completed cars are to be sound and in good condition, free of cuts, tears, bent areas, etc. Portions of posts can, where feasible, be repaired by welding or partial replacement with welded reinforced splice joints. Posts damaged in both upper and lower part should be replaced. Material for all replacement posts, whole or part, should be in-kind and may be secured by welding. Dumper pads will be applied to appropriate side posts.

4. SIDE SILLS

Side sills will be repaired in-kind. Where damage is sufficient to require replacement of portions of side sills, joints between old and new side sills will be butt welded and splices applied as necessary.

C. OTHER CARBODY COMPONENTS

1. DOORS & DOOR HARDWARE

Doors will be secured in the closed position by welding. Door hardware will be removed. Repairs will be made as required.

2. INTERIOR BRACING:

All interior bracing members are to be inspected for damage. Missing, bent, broken, or cracked members are to be replaced in-kind. Missing, broken, or incorrect fasteners are to be replaced with approved type.

3. CENTER PARTITION:

When torn, bent or significantly damaged, the transverse center partition plate can be cut out down to welded joint to lower partition or crossridge support sheet (approx. 2-ft. above crossridge), and replaced with diagonal and transverse bracing similar to bracing at other crossridge locations. The lower partition sheet also acts as the crossbearer web and should remain intact. If applied, bracing is to be secured by Huck-bolting to the lower partition sheet and to angle members at sides. The side vertical angles must be in good condition, not broken or welded.

4. END DAMAGE:

End sills, corner posts, end posts, side sill extensions, corner diagonal braces and safety appliances are to be inspected for damage. Broken or severely bent members are to be replaced in kind. Minor bend conditions are to be repaired by straightening.

D. Underframe

All underframe members will be examined for damage and appropriate corrective action taken. Bent areas will be straightened. Cracked or broken welds will be removed by air-arc or torch and joints rewelded. Cracks or breaks in parent metal will be "V" cut and welded so as to achieve 100% penetration. Where necessary, suitable reinforcing plates will be applied. If required, center sill defects will be repaired in accordance with AAR Interchange Rule 57 - Section 2.

Body side bearings will be checked for breakage, loose fasteners, distortion and excessive wear. If defective, they will be replaced using high tensile bolts and self-locking nuts. After repairs are completed, side bearing clearance will be adjusted as required.

The existing body bolsters on these cars are of suitable strength, and are generally in good sound condition. However, small cracks have developed in some cases in bolster horizontal plates; these cracks emanate from two small construction welds tying this bolster plate to top of center sill. Since attachment of bolsters is basically riveted, presence of these welds creates an undesired localized stress condition since the welds assume a load carrying job they were not designed to perform. By means of arc-air, these welds should be carefully removed. Bolster plate cracks should be suitably reinforced in areas of these repairs.

Suitable jacking pad arrangement is to be provided to side sills at ends of bolsters.

E. Draft System

Couplers, yokes and draft gears will be removed, gauged, and inspected per AAR Interchange Rules 16, 19, and 21 and replaced with new or suitably reconditioned components as required. Couplers will be replaced as necessary to comply with AAR Rule 88. Cars equipped with Grade "E" couplers must be equipped with Grade "E" yokes. Reconditioned draft gears must be applied if over 10 years have elapsed since new or last reconditioning. Draft pockets will be repaired as necessary prior to reapplication of yoke and draft gear. After coupler application, coupler height and uncoupling lever clearance will be adjusted as required.

Center filler/rear draft stop casting rivets and striker rivets are to be checked for tightness. Missing or loose rivets must be replaced in kind or all fasteners replaced. Combinations of rivets and bolts of any kind (including Hucks) in a given joint (R&L sides are part of same joint) will not be allowed.

F. Brake System

Welded air brake fittings will be applied to all pipe fittings per Rule 88. All cars will be given a complete COT&S. All air brake components will be inspected and repaired or replaced as necessary. Reservoirs are to be removed, disassembled, cleaned, reassembled, tested and reapplied. Brake steps must be of approved self clearing design. Hand brakes must be given attention as outlined in Paragraphs 12.0 through 12.6 in Standard S-475, Design Specification for Geared Hand Brakes, in the Manual of Standards and Recommended Practices.

G. Trucks

All trucks will be completely disassembled and worn or otherwise defective components repaired or replaced. All worn surfaces on side frames and bolsters will be restored in accordance with manufacturer's recommendations.

Center bows will be cleaned and lubricated with solid disc type lubricant.

All wheels and roller bearing adapters will be gauged using AAR field and/or wheel shop gauges, as appropriate, and renewed as necessary. Reconditioned NFL roller bearings will be applied to all axles. Brake beams must have rejection feature for cast iron shoes. Brake beams not so equipped will have reject lugs applied.

H. Body Center Plates

Body center plates are to be checked for wear, cracks, and proper attachment. On riveted applications, there should be 12-7/8" diameter rivets (4-countersunk head); all must be tight. Bolted and/or lock-bolted applications should have a total of 12-7/8" fasteners

(4-countersunk head); again, all must be tight. Combinations of bolts and lockbolts are allowable, but rivets may not be combined with either in a given joint. All bolts are to be 7/8" high-tensile. Center plates applied by welding are to have at least 3/8" fillet weld around periphery of center plate base. All center plates are to have intimate contact with mating surface.

I. Painting and Stenciling:

1. Surface Preparation

The following parts of cars will be completely covered for protection during all blasting and painting operations:

- a. Trucks
- b. Brake valves
- c. Brake cylinders
- d. Slack adjusters
- e. Yokes & draft gear
- f. Angle cocks
- g. Exposed portions of couplers

Handbrakes will be similarly protected during blasting operation only.

All exterior surfaces and all interior areas of new work, heavily rusted areas and top 12 inches, including cross-braces, will be given a commercial grade abrasive blast. The cleaned surfaces are to be free of moisture, dirt, oil and grease, loose paint, rust scale and non-adhering rust.

After blasting, car will be blown off to remove all abrasive material.

2. Paint Application

Exterior of Cars will be painted with a two (2) coat alkyd system to a total dry film thickness of 3-1/2 mils. (Primer - 1 mil DFT minimum, finish coat - 2-1/2 mil DFT minimum.) Airless spray application will be used in accordance with manufacturer's recommendations. Interior blasted areas will receive a primer coat only.

Color and paint manufacturer are subject to approval by RMI.

3. Stenciling

Cars will be stenciled with white stencil paint by means of spray application.

- I. Consolidated stencils, reporting marks, and all other stenciling will be governed by the latest revision of the AAR Interchange Rules as to size, location, etc.

J. Lightweighting & Stenciling

All cars will be lightweighted and stenciled after painting.

K. Miscellaneous

1. Safety appliances will be repaired as necessary in accordance with the latest revision of safety appliance and power brake law.
2. Mating surfaces of mechanically secured connections will be prime painted prior to application.

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EXHIBIT "C"

CASUALTY LOSS

The casualty loss payable per Car shall be the amount corresponding to the month in which notice is given pursuant to Paragraph 16 or the month specified in the notice given pursuant to Paragraph 18(a), as the case may be. For the purposes of this table, months are counted beginning with the Commencement Date. Any reference to casualty loss in this table relating to the period prior to the Commencement Date shall be treated as if it related to month number 0-3.

<u>Month Number</u>	<u>Casualty Loss</u>	<u>Month Number</u>	<u>Casualty Loss</u>
0-3	\$23,699	91-93	\$17,318
4-6	23,563	94-96	16,997
7-9	23,423	97-99	16,666
10-12	23,278	100-102	16,325
13-15	23,130	103-105	15,975
16-18	22,977	106-108	15,615
19-21	22,820	109-111	15,244
22-24	22,658	112-114	14,862
25-27	22,492	115-117	14,469
28-30	22,320	118-120	14,065
31-33	22,144	121-123	13,649
34-36	21,963	124-126	13,221
37-39	21,776	127-129	12,781
40-42	21,584	130-132	12,328
43-45	21,386	133-135	11,861
46-48	21,183	136-138	11,381
49-51	20,974	139-141	10,888
52-54	20,758	142-144	10,380
55-57	20,537	145-147	9,857
58-60	20,309	148-150	9,319
61-63	20,074	151-153	8,765
64-66	19,832	154-156	8,195
67-69	19,584	157-159	7,609
70-72	19,328	160-162	7,006
73-75	19,065	163-165	6,385
76-78	18,794	166-168	5,746
79-81	18,516	169-171	5,089
82-84	18,229	172-174	4,412
85-87	17,934	175-177	3,716
88-90	17,630	178-180	3,000

0002s

STATE OF GEORGIA)
) SS
COUNTY OF FULTON)

On this 16 day of May, 1988, before me personally appeared Wilds L. Pierce, to me personally known, who being by me duly sworn says that he is President of the Railcar Management, Inc., and Nadean C. Humbles, to me personally known to be the Secretary of said corporation, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Cheryl C. Murray
Notary Public

Notary Public, State of Georgia
My Commission Expires Feb. 23, 1992

STATE OF SOUTH CAROLINA)
) SS
COUNTY OF CHARLESTON)

On this 12 day of May, 1988, before me personally appeared Dr. B.D. Thomas, Jr., to me personally known, who being by me duly sworn says that he is Senior Vice President of the Westvaco Corporation, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Bernadine R. Carter
Notary Public
My Commission expires 12/1/89

(to Loan and Security Agreement)

LEASE AGREEMENT
AMENDMENT NO. 1

This Lease Agreement Amendment No. 1 (the "Lease Amendment") is made and entered as of the 30th day of August, 1988, between Railcar Management, Inc., a Georgia corporation acting as agent for and on behalf of Railcar, Ltd. ("RMI") and Westvaco Corporation, a Delaware corporation ("Westvaco").

RECITALS

RMI and Westvaco executed a Lease Agreement as of the 3rd day of May, 1988 (the "Lease") for the lease of certain railroad cars.

The parties hereto desire to amend the Lease to (a) clarify the nature of the relationship between RMI and Railcar, Ltd., the owner of the Cars (as such term is defined in the Lease) as identified in Exhibit A to the Lease, and (b) provide for monthly payment of interim rental as described in paragraph 6(a) of the Lease.

AGREEMENT

It is Agreed:

1. The first paragraph of the Lease is amended by substituting therefor the following paragraph:

"This LEASE AGREEMENT ("Lease") is made and entered as of the 3rd day of May, 1988, between RAILCAR MANAGEMENT, INC., a Georgia corporation acting as agent for and on behalf of RAILCAR, LTD., the owner of the Cars (hereinafter RAILCAR MANAGEMENT, INC., and RAILCAR, LTD., collectively referred to as "RMI") and WESTVACO CORPORATION, (hereinafter called "Lessee")."

2. The signature line for RMI on page 12 of the Lease is amended by adding after the words "RAILCAR MANAGEMENT, INC." the words "as agent for and on behalf of RAILCAR, LTD.".
3. Paragraph 6(a) of the Lease is amended by substituting therefor the following paragraph:

"Interim rental on a pro-rata basis at the rate of Eight Dollars and Ninety-Five Cents (\$8.95) per Car per day during the period between the date of acceptance pursuant to Paragraph 3 of each Car hereunder and the Commencement Date; notwithstanding any provision contained in this Lease to the contrary, such interim rental to be paid monthly in arrears on the first day of the month following the month for which such rental is payable."

4. Except as set forth herein, the Lease is unmodified and in full force and effect.
5. This Lease Amendment may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same contract, which may be evidenced by any such signed counterpart.

IN WITNESS WHEREOF, RMI and Lessee have duly executed this Lease Amendment as of the day and year first above written.

ATTEST:

RAILCAR MANAGEMENT, INC., as agent for and on behalf of Railcar, Ltd.

Nadson C. Humble
Title: Secretary
(SEAL)

By: Willy T. Pines
Title: President

ATTEST:

WESTVACO CORPORATION

Title:
(SEAL)

By: _____
Title: _____

"Interim rental on a pro-rata basis at the rate of Eight Dollars and Ninety-Five Cents (\$8.95) per Car per day during the period between the date of acceptance pursuant to Paragraph 3 of each Car hereunder and the Commencement Date; notwithstanding any provision contained in this Lease to the contrary, such interim rental to be paid monthly in arrears on the first day of the month following the month for which such rental is payable."

4. Except as set forth herein, the Lease is unmodified and in full force and effect.
5. This Lease Amendment may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same contract, which may be evidenced by any such signed counterpart.

IN WITNESS WHEREOF, RMI and Lessee have duly executed this Lease Amendment as of the day and year first above written.

ATTEST:

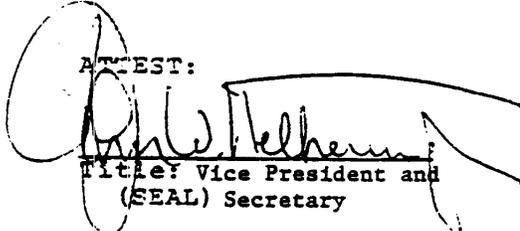
RAILCAR MANAGEMENT, INC., as
agent for and on behalf of
Railcar, Ltd.

Title:
(SEAL)

By: _____
Title: President

ATTEST:

WESTVACO CORPORATION


Title: Vice President and
(SEAL) Secretary

By: James C. Thompson CK
Title: Vice President

STATE OF GEORGIA)
) SS
COUNTY OF FULTON)

On this 30TH day of AUGUST, 1988, before me personally appeared Wilds L. Pierce and NADEAN C. HUMBLE, to me personally known, who being by me duly sworn, say that they are the President and SECRETARY, respectively, of RAILCAR MANAGEMENT, INC., that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

(SEAL)


Notary Public

My Commission expires:

Notary Public, Clayton County, Georgia
My Commission Expires May 30, 1992

STATE OF NEW YORK)
) SS
COUNTY OF NEW YORK)

On this 30th day of August, 1988, before me personally appeared John W. Hetherington to me personally known, who being by me duly sworn, says that he is the Vice President and Secretary of WESTVACO CORPORATION, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed on behalf of said corporation by authority of its Bylaws.

(SEAL)

Alfred C Knight
Notary Public

My Commission expires:

ALFRED C. KNIGHT
NOTARY PUBLIC, State of New York
No. 31-7314170
Qualified in New York County
Commission Expires Feb. 28, 1989

EXHIBIT C

(to the Loan and Security Agreement)

FORM OF SECURED NOTE

THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE. THE NOTE MAY NOT BE OFFERED OR SOLD UNLESS IT IS REGISTERED UNDER THE APPLICABLE SECURITIES LAWS OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

SECURED NOTE

\$3,624,904.07

March ____, 1994

FOR VALUE RECEIVED, the undersigned, Railcar, Ltd. (the "Debtor") promises to pay to the order of The Penn Insurance and Annuity Company (the "Lender") on or before February 1, 2004, or to such other person and/or such other place as the holder hereof may from time to time designate, the principal sum of Three Million Six Hundred Twenty-Four Thousand Nine Hundred Four and 07/100ths Dollars (\$3,624,904.07) together with interest from the date hereof until maturity on the unpaid principal hereof outstanding from time to time, at a rate per annum (hereinafter called the "Interest Rate") equal to six and four hundredths percent (6.04%). The principal and interest hereof shall be payable in installments as follows, with each such payment first credited to interest due and any remainder to reduction of principal:

Monthly installments of principal and interest, each in the amount of Forty Thousand Eight Hundred Fifteen and No/100ths Dollars (\$40,815.00) payable on May 1, 1994 and on the first day of each month thereafter with the last payment due and payable February 1, 2004.

If any payment hereunder is due on a day other than a Business Day (as defined in the Loan and Security Agreement described below), payments required to be made on such day shall be made on the next succeeding Business Day.

The Debtor shall pay to the holder hereof interest on overdue principal and any other amounts payable hereunder which are overdue at the rate of eight percent (8%) per annum whether as scheduled, or upon acceleration or otherwise, but not in excess of the highest rate permitted by law.

This Note is the secured note of the Debtor (the "Note") issued under and pursuant to and secured by that certain Loan and Security Agreement dated March ____, 1994 (the "Loan and Security Agreement") between the Lender and the Debtor. Reference is made to the Loan and Security Agreement and all supplements and amendments thereto executed pursuant to the Loan and Security Agreement for a

description of the collateral, the nature and extent of the security and rights and obligations of the Lender, the Debtor, and the holder of the Note.

The terms and provisions of the Loan and Security Agreement, the rights and obligations of the Lender, and the rights of the holder of this Note may be changed and modified to the extent permitted by, and as provided in, the Loan and Security Agreement.

During the continuance of an Event of Default under the Loan and Security Agreement beyond any applicable cure period, the principal hereof and the interest accrued and unpaid hereon may be declared immediately due and payable as provided in the Loan and Security Agreement.

Principal and interest and other amounts due hereunder shall be payable in immediately available funds at Bankers Trust Company, ABA #02100-1033, 16 Wall Street, New York, New York 10005, Attention: Insurance Unit, Private Placement 01419540 for credit to The Penn Insurance and Annuity Company, Acct. #092506, or any such other place as the holder hereof shall have designated to the undersigned in writing. All such payments shall be free and clear of, and without deduction for or on account of, wire or other charges.

This Note and the Loan and Security Agreement are governed by and construed in accordance with the laws of the State of Pennsylvania; provided, however, that the holder of this Note shall be entitled to all the rights conferred by any applicable Federal statute, rule or regulation.

It is understood and agreed that, except to the extent expressly provided otherwise in Section 9.8 of the Loan and Security Agreement, the liability of the Debtor or any assignee of the Debtor for all payments to be made by it under and pursuant to this Note shall not exceed an amount equal to, and shall be payable only out of, the "income and proceeds from the Equipment" as defined in Section 9.8 of the Loan and Security Agreement; and otherwise, the Lender or any holder of this Note shall have no recourse against the properties and assets of the Debtor.

This Note is subject to prepayment without penalty or premium only as provided in Section 8.2(c) of the Loan and Security Agreement.

IN WITNESS WHEREOF, the Debtor has caused this Note to be duly executed.

WITNESS:

RAILCAR, LTD.

00450/33-34

00450

By: _____

Wilds L. Pierce
President

EXHIBIT D

(to the Loan and Security Agreement)

OPINION OF
COUNSEL FOR THE DEBTOR
TO BE DELIVERED ON THE CLOSING DATE

_____, 1994

The Penn Insurance and Annuity Company
Securities Investment Department - Private Placement
Independence Square - VLM ClB
530 Walnut Street
Philadelphia, Pennsylvania 19172

Re: Loan and Security Agreement dated _____, 1994,
between Railcar, Ltd. (the "Debtor") and The Penn
Insurance and Annuity Company (the "Lender") (the
"Agreement")

Gentlemen:

We have acted as counsel to the Debtor in connection with the condition imposed by Section 2.3(c)(i) of the Agreement. Pursuant to the terms of the Agreement, the Lender proposes to lend to the Debtor an aggregate principal amount of \$3,624,904.07, such loan to be secured by pledge of certain railroad cars and that certain Lease Agreement with Westvaco Corporation, a Delaware corporation, respecting such cars (the "Lease"), all as described in the Agreement.

The opinions hereinafter set forth are provided for the benefit of the Lender and may be relied upon only by it and may not be relied upon, quoted, referred to or filed with any other person or entity without our prior written permission, except that reference may be made to the opinions in any list of closing documents pertaining to the loan and pledge pursuant to the Agreement. All capitalized terms not otherwise defined herein have the same meanings as defined in the Agreement.

We have examined such public records and such agreements, instruments and corporate documents of the Debtor and have made such other investigations as we deemed reasonably necessary under the circumstances for us to express the opinions hereinafter set forth. In making all of our examinations, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to the original documents of all documents submitted to us as copies, the authority and capacity of

the person or persons who executed each of such documents on behalf of any person or entity (other than the person or persons who, on behalf of the Debtor or Railcar Management, Inc., executed the Lease and the Agreement, the exhibits thereto and the other documents and agreements referred to therein), the correctness and accuracy of the representations made in the Agreement and exhibits thereto and in the other documents and agreements referred to therein, the correctness and accuracy of all certificates of the Debtor's and Railcar Management, Inc.'s officers and the correctness and accuracy of all certificates of various public officials.

The members of this firm are admitted to the Bar of the State of Georgia and are duly qualified to practice law in that State. We do not herein express any opinion concerning any matter respecting or affected by any laws other than the laws of the State of Georgia and the federal laws of the United States of America that are now in effect and that, in our experience, are normally applicable to transactions of the type contemplated by the Agreement. To the extent any matters are governed by the law of any state other than the State of Georgia, we have assumed that the law of such other state is identical to the law of the State of Georgia. We expressly disclaim any undertaking to advise you of changes to such pertinent laws that may hereafter come to our attention.

Based upon and subject to the foregoing, we are of the following opinions:

1. The Debtor is a corporation duly organized, validly existing and in good standing under the laws of the State of Georgia.
2. The Debtor has full corporate right, power and authority to enter into, execute and deliver the Loan and Security Agreement, the Lease and the Note (a copy of which is attached hereto) and to perform each and all of the matters and things provided for in said instruments.
3. The Loan and Security Agreement and the Lease have been duly authorized, executed and delivered by the Debtor and Railcar Management, Inc. ("RMI") as agent for and on behalf of the Debtor, respectively, and, assuming due authorization, execution and delivery by the other parties thereto, said Loan and Security Agreement and Lease constitute the legal, valid and binding obligations of the Debtor in the case of the Loan and Security Agreement, and RMI as agent for and on behalf of the Debtor in the case of the Lease, enforceable in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and except as enforcement is subject to general principles of equity (including but not limited to all matters of public policy), regardless of whether such enforceability is considered in a proceeding in equity or at law.

4. The Note (a copy of which is attached hereto) constitutes the legal, valid and binding obligation of the Debtor enforceable in accordance with its terms, except as may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and except as enforcement is subject to general principles of equity (including but not limited to all matters of public policy), regardless of whether such enforceability is considered in equity or at law.

5. To the knowledge of such counsel, there are no proceedings pending or threatened against or affecting the Debtor or the transactions contemplated by the Loan and Security Agreement in any court or before any governmental authority or arbitration board or other tribunal which, if adversely determined, would materially affect the right, power and authority of the Debtor to enter into or perform the Loan and Security Agreement and the Lease.

6. To the knowledge of such counsel, no consent, approval or authorization of any governmental authority or any third party is required on the part of the Debtor in connection with the execution and delivery of the Loan and Security Agreement, or the offer, issue, sale or delivery of the Note (a copy of which is attached hereto).

7. Neither the execution and delivery by the Debtor of the Note, Loan and Security Agreement or the Lease, nor the consummation by the Debtor of the transactions contemplated by any such instrument, nor compliance by the Debtor with any provision thereof, conflicts with or will conflict with, or results in or will result in a breach of any of, the provisions of the certificate of incorporation or bylaws of the Debtor or, to the knowledge of such counsel, of any applicable law, judgment, order, writ, injunction, decree, rule or regulation of any court, administrative agency or other governmental authority, or of any agreement or other instrument known to such counsel to which the Debtor is a party or by which it is bound.

Very truly yours,

CUSHING & MORRIS

By: _____
Kevin R. Armbruster, Partner

00450/35-37

00450

EXHIBIT E

(to the Loan and Security Agreement)

FORM OF NOTICE AND ACKNOWLEDGMENT
OF ASSIGNMENT

THIS NOTICE AND ACKNOWLEDGMENT OF ASSIGNMENT dated as of _____ ("Notice and Acknowledgment") among RAILCAR, LTD., a Georgia corporation ("Lessor" or "Railcar"), THE PENN INSURANCE AND ANNUITY COMPANY ("Lender"), and WESTVACO CORPORATION, a Delaware corporation ("Lessee").

W I T N E S S E T H:

A. Prior to the execution hereof, Lessor and Lessee have executed the Lease Agreement dated as of the 3rd day of May, 1988 (the "Lease"), pursuant to which Lessor has leased to Lessee the equipment described in the Lease (the "Equipment").

B. Concurrently with the execution hereof, Lessor and Lender are executing the Loan and Security Agreement dated _____, 1994 (the "Security Agreement"), pursuant to which Lessor will borrow certain funds from Lender, transfer to Lender a security interest in the Equipment, and assign to Lender Lessor's rights and interests in and under the Lease to secure Lessor's limited recourse obligation to repay the funds borrowed from Lender.

C. Lessee is willing to consent to such assignment of the Lease.

NOW, THEREFORE, in consideration of the mutual agreements contained in the Lease and the Security Agreement, and intending to be legally bound, the parties hereto agree as follows:

1. Consent of Lessee to Assignment as Security to Lender.
Lessee hereby acknowledges and consents to the assignment of the Lease by Lessor to Lender under and pursuant to the Security Agreement and agrees for the benefit of Lender as follows:

(a) To make each payment to Lender of rental and other sums due under the Lease, including interest thereon for late payment thereof (which have been assigned by the Security Agreement directly to Lender), and without offset, deduction, counterclaim or abatement of any kind whatsoever, by one or more checks drawn on any bank or trust company (selected by Lessee and reasonably acceptable to Lender) having a banking office in New York, New York made payable to Lender and delivered to Lender at the address indicated in Section 1(h) hereof at least two Business Days before the date such payment is due, so long as any indebtedness of Debtor to Lender secured under the terms of the Security Agreement shall be outstanding and unpaid;

(b) That except as otherwise provided herein, each installment of rent provided for in the Lease ("Basic Rent") and each payment of casualty loss set forth in Exhibit C to the Lease ("Casualty Loss") payable under the Lease shall be, under any circumstances and in any event, payable in accordance with the terms of the Lease;

(c) Not to seek the recovery of any payment made to Lender pursuant to the Security Agreement and this Notice and Acknowledgment once such payment has been made;

(d) That so long as any indebtedness of Debtor to Lender secured under the terms of the Security Agreement shall be outstanding and unpaid, all rights of Lessor with respect to the Lease and the items of Equipment or any part thereof shall be exercisable by Lender, as assignee and secured party or lienholder, subject to the terms of the Security Agreement, but no obligations of Lessor under the Lease shall be assumed by Lender. Railcar, Ltd. reaffirms its obligations under the original Lease;

(e) [Intentionally Omitted];

(f) [Intentionally Omitted];

(g) That any amendment to, or any waiver, discharge or termination of, any term or provision of the Lease (or any consent of Lessor required thereunder) shall also require the written consent of Lender;

(h) That Lessee will deliver to Lender at The Penn Insurance and Annuity Company, Securities Investment Department, 600 Dresher Road, Horsham, Pennsylvania 19044, Attention: Richard M. Fox, a copy of all notices required to be delivered to Lessor under the Lease concurrently with the delivery of such notices to Lessor;

(i) That each of the representations, warranties and indemnities of Lessee set forth in the Lease, and the applicable grace period established under Paragraph 18 of the Lease, are hereby incorporated by reference herein and are deemed to apply to Lender as well as Lessor as fully and to the extent and with the force and effect as if set forth in full in this Section 1(i);

(j) For the purpose of applying the indemnification provisions of Paragraph 14 of the Lease to Lender, Lender and its successors, assigns, agents, servants, employees and officers shall each be entitled to indemnification by Lessee to the same extent as Lessor;

(k) That (i) the Lease has been duly authorized, executed and delivered by Lessee, has not been amended, terminated

or modified to date, and is valid and binding upon, and enforceable against, Lessee in accordance with its terms and (ii) Lessee is not in default under the Lease and has no defense to or offset against enforcement thereof; and

(1) That fixed monthly rental pursuant to Paragraph 6(b) of the Lease commenced March 1, 1989 and is scheduled to be paid over the succeeding period of fifteen (15) years, the last such monthly payment being due February 1, 2004.

3. No Further Amendments. Except as expressly modified or amended herein, all of the terms, covenants and conditions of the Lease shall remain unamended and in full force and effect.

4. Governing Law. This Notice and Acknowledgment shall be governed by and construed in accordance with the laws of the state of Pennsylvania.

5. Counterparts. This Notice and Acknowledgment may be executed in two or more counterparts, which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Notice and Acknowledgment to be duly executed as of the date first above written.

ATTEST:

LESSEE

WESTVACO CORPORATION

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____
Date: _____

(CORPORATE SEAL)

ATTEST:

LESSOR

RAILCAR, LTD.

By: _____
Eugene N. Martini
Vice President

By: _____
Wilds L. Pierce
President

(CORPORATE SEAL)

Date: _____

ATTEST:

LENDER

THE PENN INSURANCE AND ANNUITY
COMPANY

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

(CORPORATE SEAL)

Date: _____

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 1994, before me personally appeared Wilds L. Pierce and Eugene N. Martini, to me personally known, who being by me duly sworn, say that they are the President and Vice President, respectively, of RAILCAR. LTD., that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Bylaws, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

(SEAL)

My Commission expires:

00450/42

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 1994 ,
before me personally appeared _____ and
_____ to me personally known, who being by me duly
sworn, say that they are the _____ and
_____, respectively, of THE PENN INSURANCE AND
ANNUITY COMPANY, that the seal affixed to the foregoing instrument
is the corporate seal of said corporation, that said instrument was
signed and sealed on behalf of said corporation by authority of its
Board of Directors, and they acknowledged that the execution of the
foregoing instrument was the free act and deed of said corporation.

Notary Public

(SEAL)

My Commission expires:

00450/43

STATE OF _____
COUNTY OF _____

On this _____ day of _____, 1994 ,
before me personally appeared _____ and
_____ to me personally known, who being by me duly
sworn, say that they are the _____ and
_____ respectively, of WESTVACO CORPORATION, that
the seal affixed to the foregoing instrument is the corporate seal
of said corporation, that said instrument was signed and sealed on
behalf of said corporation by authority of its Board of Directors,
and they acknowledged that the execution of the foregoing instrument
was the free act and deed of said corporation.

Notary Public
(SEAL)
My Commission expires: